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Coopers and Lybrand, Washington, DC

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Report to Congress Industrial Cost Recovery

Volume V — Transcripts of Public Meetings (Regional Public Meetings)

Coopers & Lybrand
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This document presents the U.S. Environmental Protection Agency's final report to the Congress on its Industrial Cost Recovery Study as directed by the Congress in Section 75 of Public Law 95-217, the Clean Water Act of 1977. This provision of the statute requires EPA to study the "efficiency of, and need for" the repayment by industry of that portion of the EPA grant used for construction of industrial capacity in publicly-owned wastewater treatment systems, and requires EPA to report the results of the study to the Congress by December 31, 1978. The final report consists of seven volumes:

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ORIGINAL

INDUSTRIAL COST RECOVERY PUBLIC MEETING

- - -

Federal Building
Boston, Massachusetts

Tuesday, October 24, 1978

The public meeting was convened at 10:10 a.m.

John Gall presiding.

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MR. GALL: I think this would be an appropriate time to start the conference on Industrial Cost Recovery.

This is the fourth in a series of meetings in the Eastern half of the United States.

The final meeting in the five Eastern Regions will be on Thursday in Atlanta.

Our opening comments this morning, the introduction, will be provided by Lester Sutton, the Water Program's Division Director for EPA's Region I Office here in Boston.

STATEMENT OF

LESTER SUTTON, WATER PROGRAM DIVISION DIRECTOR

MR. SUTTON: Good morning. It's a pleasure to welcome you here today on behalf of Bill Adams, our Regional Administrator for the Environmental Protection Agency here in Boston.

Here in Boston we're responsible for administrating EPA's Programs in the six New England states. I'm in charge of the Water Programs Division, which includes among other programs, the Construction Grants Program for aid to municipalities in the construction of wastewater treatment facilities.

One of the major aspects of the 1972 Act that caused some major changes in our program was the provision for

Industrial Cost Recovery, whereby industries are required to pay back over a period of time their share of the Federal grant on any construction projects.

This has caused a lot of confusion, a lot of questions over the years. And, as a result, in the 1977 Act Congress reconsidered the Program and determined there should be a study and evaluation with a report back to them for consideration of possible amendments of this provision of the Act, which is the purpose of this meeting here this morning.

It's our intention that the public be involved in this study to the maximum extent and that your statements and concerns will be reflected in the final report as presented to Congress this December. In order to make certain that everyone has a proper opportunity to be heard, we'd like to observe the following order of procedure this morning.

We'll start with an explanation of the purpose of the Industrial Cost Recovery Study, which you may hear referred to from now on as the "ICR Study" and the purpose of this meeting. This will be presented by John Gall, our Regional Specialist here in Boston on User Charges and Industrial Cost Recovery.

This will be followed by a briefing of the project scope and methodology by Mikal Townsley of Coopers & Lybrand, the management consulting and accounting firm hired by EPA to assist us in this Study.

We then expect that the Hon. Margaret Hechler, Congresswoman representing the 10th Congressional District here in Massachusetts, will be here to present a statement on the subject.

Next will be a presentation by Myron Olstein of Coopers & Lybrand of the findings, conclusions and the possible recommendations being made by this Study and what could possibly be the result thereof.

This will be followed by those who have prepared statements to make and who have submitted the statement in advance of this meeting.

Following that, anyone else who wishes to make a statement, whether to present it in writing or to present it orally, will be given the opportunity.

We will then open the discussions for any questions and answers that any of you may have and in this way we hope to ensure that everyone who has a statement to make or a question to ask will be heard.

ICR is an important and topical issue. We want to make sure that Congress is aware of all the concerns being expressed at the grass roots level. Therefore, we'll stay here as long as necessary to conclude this discussion and to hear all statements.

We have a Court Reporter here with us today and a transcript of this meeting will be appended to the final report which goes to Congress. For that reason, we ask you to speak clearly and slowly and one at a time.

I will now turn the meeting over to John Gall, who will explain the purpose of the Study and the purpose of this meeting.

STATEMENT OF

JOHN GALL, REGIONAL SPECIALIST FOR EPA

MR. GALL: Thank you, Les. In addition to serving as the Regional UC/ICR Specialist, the User Charge/Industrial Cost Recovery Specialist, over the past six months I've also been involved with a Technical Advisory Group at the Washington level, providing input to our management consultant in terms of direction and the scope of the Study.

And so I represent not only Region I here today, but also EPA's Washington office.

I'd like at this time to provide you with some brief insights as to why the ICR Study is being conducted and why this meeting is being held in particular. As we all know, the passage of the Federal Water Pollution Control Act in 1972, that is Public Law 92-500, established specific financial programs which all Title II grantees have to adopt.

More specifically, the Act required grantees to develop and maintain two different types of rate systems. One, which is User Charges, to cover the operating and maintenance costs of the wastewater treatment system on a proportional basis; and the other one of course, is Industrial Cost Recovery to recover from industrial users of the treatment plant that portion of the EPA Grant which is allocable to their use.

While there's certainly been some controversy concering the User Charge regulations and the systems in general, the ultimate goal that program was supposed to provide -- that is adequate O & M planning for wastewater treatment plants -- is a goal in which there is almost universal agreement.

ICR, on the other hand, is a topic which has caused c onsiderable debate over the past six years. And in response to many questions and much discussion, Congress, in December of 1977, enacted the Clean Water Act of 1977, or Public Law 95-217. In this regard, there have been several modifications to the 1972 Act, one of which was set forth in Section 75 which specified the EPA would study the "efficiency of and the need for" Industrial Cost Recovery.

The Study was to include, but not be limited to, an analysis of the impact of Industrial Cost Recovery on rural communities, on industries in economically distressed areas, areas of high unemployment. And it further stipulated such a report must be delivered to Congress no later than December 31 of this year.

In May of this year, EPA contracted with Coopers & Lybrand to conduct the Study for the Agency. Coopers & Lybrand is a large management consulting firm and one of the largest in the nation and has considerable expertise in these areas.

As I indicated, the purpose of the ICR Study was to carry out the instructions of Congress. The basic foundation for the scope of the contractor's work were inserted in the Congressional Record of December 15th of 1977 by Congressman Roberts of California, and I'd like to read you specifically his entry in the Congressional Record so you will have a fair idea of what has been the focus of the Study. The Congressman said:

"It has long been the intent of Congress to encourage participation in publicly-owned treatment works by industry.

The conferees are most concerned over the impact the Industrial Cost Recovery Provision of existing law may have on industry participation on these public systems. Accordingly, the Industrial Cost Recovery Study, Section 75, has been incorporated in the Conference Report, and EPA is encouraged to submit the results of the Study as soon as possible so that Congress can take action on any recommendations that are forthcoming.

"It is expected that the Administrator will consult with all interested groups in conducting this Study and that the Study will address at least the following questions:

"First. Whether the Industrial Cost Recovery Program discriminates against particular industries or industrial plants in different locations, and do small town businesses pay more than their urban counterparts? Additionally, what is the combined impact on such industries of the User Charge and Industrial Cost Recovery requirements?

"Second. Whether the ICR Program and resultant User Charges cause some communities to charge much higher costs for wastewater treatment services than other communities in the same geographical area?"

There is a parenthetical note -- "(Some communities have indicated that disparities in ICR and User Charges affect employment opportunities in their localities.)"

And, going on with the second question -- "Whether a mechanism should be provided whereby a community may lower both its User and ICR Charges to a level that is competitive with other communities in order to restore parity?

"Third. Whether the ICR Program drives industries out of municipal systems, the extent and the community impact of that action?

"Fourth. Whether industries tying into municipal systems pay more or less for pollution control than direct dischargers?

"Fifth Whether the ICR Program encourages conservation, the extent and the economic or environmental impact of that decision?

"Sixth. Whether the ICR" --

--or "How much Revenue will this Program produce for Local, State and Federal Governments, and to what use will or should these revenues be put?

Additionally, "Whether the ICR Program encourages cost effective solutions to water pollution problems?

"Eighth. Determination of the administrative costs of this Program, additional billing costs imposed, costs associated with the monitoring of industrial effluent for the purpose of calculating the ICR Charges, ancillary benefits associated with the monitoring of industrial effluents, procedures necessary to take into account the changes in the number of industries discharging into municipal plants, and the impacts of seasonal or other changes in the characteristics and quantity of effluents discharged by individual industries?

"Ninth. Whether small industries should be exempted from ICR; and how should small be defined; and is there a reasonable floor that can be established for ICR based upon a percentage of flow?"

C & L has been busy for the past five months asking questions and gathering data from a cross-section of viewpoints. As a final action in their data collection phase, ten meetings are being held in the ten Regional office cities, to present a summary of the data gathered to date, as well as a preliminary set of conclusions as to what the data means.

We would like to gather data and statements from those interested parties with whom we have not had the opportunity to talk in the past, and want to present a list of some of the alternatives to Industrial Cost Recovery which could be recommended.

Finally, we want to answer as many of your questions as we can reasonably answer. Our primary purpose, though, is to listen to your comments.

Before I turn the meeting over to Mike Townsley of Coopers & Lybrand, I'd like to make two additional -- or three additional comments.

First of all, as I indicated, the report that we are doing is due to Congress by December 31 of this year. The whole conduct of this Study has been characterized by compressed deadlines and lead times, which leads to all sorts of logistics problems.

I'd like to apologize on behalf of our Washington office for any short notice that you may have had in regards to this meeting; and, further, that although the purpose of this meeting today was to be a sort of final point of public comment, we will be keeping the record open so to speak for additional written comments until the 6th November of this year.

We'd appreciate it, should you wish to make additional written comments on the General Study, that they be directed to me, that is John Gall, at the Municipal Facilities Branch, Environmental Protection Agency, JFK Federal Building, Boston, and the zip there is 02203.

At the same time, it would be appropriate to send a copy to Coopers & Lybrand, to the attention of Myron Olstein, and their address is 1800 M Street, N.W., Washington, and the zip on that is 20036.

We'll probably be giving those addresses several course during the course of the meeting today.

The last point that I want to bring out is to provide some focus as to how the decision making process will work.

The Agency contracted with Coopers & Lybrand and provided them with the scope of study to follow and we expect that their report will be available to us no later than the end of November of this year.

Although we fully expect that that report will contain some recommendation and conclusions and documentation supporting the recommendations, the Agency then has the responsibility, of course, to take the report, further review it, and distill it into a set of recommendations for Congress.

So, in that regard, I'd like you to keep in mind that the decision as to which recommendation will be made to Congress lies with the Agency. The decision, of course,as to the direction the Industrial Cost Recovery will take in the future obviously lies with the Congress and with the President.

With that, I would like to turn the meeting over to

Mike Townsley of Coopers & Lybrand.

STATEMENT OF

J. MIKAL TOWNSLEY OF COOPERS & LYBRAND

MR. TOWNSLEY: Good morning. I'd like to cover some of the background and what we did to conduct this Study.

I've been responsible for most of the data collected in the Eastern half of the United States, including this particular Region. What I'd like to do is go through what we did and how did it and why we did it.

When EPA asked us to conduct the ICR Study, the first thing we did was read the 1972 Legislative history related to User Charge and Industrial Cost Recovery, to find out exactly what ICR does accomplish -- that it was supposed to accomplish. Stated very briefly, there were two major objectives contained in the Legislative history:

The first was equity, or the equalization of the assumed economic advantage for those industries using public sewer systems, as compared to those industries treating their own in their own facilities.

A second objective was capacity, or the appropriate sizing of wastewater treatment plants with adequate but not excessive capacity.

A third objective, but not as important as the first two, was to encourage water conservation.

This background material, together with the Legislative history related to the 1977 Act, and especially Congressman Roberts' questions and Congresswoman Heckler's emphatic statements on ICR, served as the frame of reference for us to plan the Study.

Our initial step, in late May of this year, was to sit down with EPA personnel, including John Pai, John Gall, Ted Horn, and put together a shopping list of every data element that we thought would help in answering the specific questions and some additional questions about ICR and User Charges.

We took this list of data elements and converted it into two draft survey questionnaires -- one for industry and one for grantees.

The draft industrial questionnaires were then reviewed and refined with industry groups such as The National Food Processors, The National Association of Manufacturers, and other public and industrial associations as well.

After refining our questionnaires, we developed a survey list.

We compiled, with EPA Regional office assistance, a list of approximately 100 cities which we planned to visit. These cities ranged in size from under 1,000 to New York City. We eventually visited approximately 120 cities, some of them more than once if strong local interest in the Study.

Our procedure was to attempt to meet first with the local Agency responsible for wastewater, then with local industrial people and then with any civil or public groups.

We mailed our survey questionnaires out ahead of time to people we were going to be meeting with, so that they would know the kinds of data that we were looking for.

We stressed at all times that participation in the survey was voluntary, both with the grantees and with the industries. In many cases, people mailed completed surveys back to us after talking to us in person or over the telephone.

We put together a list of an additional 200 cities for your telephone surveys. We used the same questionnaires. We called them, talked to them, sent the questionnaires out, and, in most cases, got the questionnaires back in the mail.

We put together a list of five, which was later expanded to six or seven industries, which we wanted to do the details of the study on. Although we were interested in industries in general, we were particularly interested in industries that met certain criteria. The criteria for selection included:

1. - a labor industry;
2. - a low operating margin;
3. - high water users;
4. - size of industry significant in the total economy;
5. - seasonality; and
6. - varying degrees of pretreatment available within the industry.

The industries initially selected for our detailed study were:

- meat packing;
- dairy products;
- paper and allied products;
- secondary metal products;
- canned and frozen fruits and vegetables.

We have subsequently expanded the list to include:

- textiles and bakers, as a separate group.

We prepared a list of establishments in these cities that we were visiting and mailed survey forms to these people. In most cases, they mailed it back to us. Our entire data collection was to be accomplished within about a six week period, which meant we had up to ten teams on the road collecting data -- a lot of people going a lot of places.

The second step in our study was to develop mechanisms for public participation in the Study. We wanted grass roots movement, sentiment, support. We wanted an open Study. We put together an ICR Advisory Group of approximately forty different individuals, representing industrial, environmental, civic, local government, and Congressional interests, and relied on them to keep their local chapters involved in the Study.

We held monthly meetings in Washington with transcripts of the meetings mailed to anyone requesting them.

The third step in the project was to summarize and analyze the data collected. We are currently completing this task in Washington and have reached some preliminary conclusions as to what this data means.

We've prepared several computerized statistical analyses and we're still refining and redeveloping those. We have looked at enough data to be able to formulate some possible alternatives to ICR as it is presently constituted.

The purpose of our meeting today is to relate to you what we found, and get your reaction to it.

After these Regional meetings are held, we will put together a draft final report, which will be widely circulated. This will be some time in mid-November.

In December, we will begin to write our final report. We'll deliver it to EPA to go to Congress later in December. As John said, this final report will contain our recommendations. EPA may agree or disagree with those recommendations. Congress may agree or disagree with EPA's recommendations. So we're not sure what Congress will end up doing.

We're changing plans here in midstream. Myron Olstein will now cover some of the findings and conclusions.

STATEMENT OF

MYRON OLSTEIN OF COOPERS & LYBRAND

MR. OLSTEIN: Good morning. I'd like to briefly go over the Study findings, what we think it means, and then to present some possible alternatives.

The data and statistics that I'll be using are based on our Study, and are still in the process of being studied, validated and up-dated in our Washington office.

Some of that data has already been made available to you. It's on a sheet entitled "ICR Study Data" dated October 10, 1978, which you should have received earlier.

I have a very limited number of copies of some up-dated Study data that we worked on since then. The final version of the data analysis and the raw data itself will be appended to, and included in, our final report.

We eventually received data from some 241 grantees, the best data coming from the places that we actually visited. The data obtained through telephone surveys was not quite as complete or precise.

In addition to that we obtained data from 397 industrial facilities, most of that through the effort of trade associations. All the industrial data is at the plant level, rather than at company level.

Let's take a look at some of the major issues relating to ICR.

First, taking a look at what ICR was supposed to accomplish and the reason it was written into the '72 Act. The first thing we looked at was the issue of equity, or the assumed economic advantage, i.e., less expensive sewage treatment costs for industries using public owned treatment works or POTW's as we call them, as opposed to those treating and discharging their own wastes.

In order to analyze that, we utilized a computer-based model which we had already developed for industrial clients, and modified it to reflect the impact of User Charge and Industrial Cost Recovery. Basically, the model incorporates those equations which reflect the cost of doing business, and enable a company to evaluate the basic alternatives -- that is, a "make or buy" decision, should we use a POTW or should we treat our own sewage?

What we found was that for some medium or large industries having compatible wastes, it's cheaper in the long run to self-treat, even without including ICR, just due to User Charges. This, we felt, was a very significant finding because what it means is that, even without ICR or pretreatment costs, which are going to become costs very shortly, large industries should, from an economic viewpoint, treat theirown sewage.

When we analyzied this finding, we found that this was so due to a number of tax law changes which were not known to the Public Works Committee as they were enacted aver the passage of P.L. 92-500. Some of these factors include accelerated depreciation for pollution control equipment, investment tax credits for capital equipment, and the use of tax-free Industrial Development Bonds to finance self-treatment facilities.

In addition to the advantage for medium and large industries -- and there also exist programs for some very small businesses which includes Government guaranteed loans that are available through the SBA. So, in those circumstances where small businesses qualify, it would be cheaper for them also to pretreat.

In addition to that, although we haven't had the opportunity to completely analyze it, the later series of tax law changes should make it even more attractive to industries to self-treat.

Basically, what this all boils down to is that for many industries, it's cheaper to self-treat than to use a POTW.

However, what we found through our survey was that at the present time this isn't the case. We spoke to a number of companies about this and right now there are a number of reasons -- you know -- why that's so.

Many companies are not geographically located on or close to a river or stream and are forced to use a POTW.

Many just don't want the hassle of self-treatment, having to get an NPDES permit, having to operate their treatment plant, that sort of thing.

And finally, and most probably most importantly, User Charge and Industrial Cost Recovery really hasn't been in effect long enough for many industries to see its impact.

The significant thing to bear in mind, though, is that if ICR and pretreatment costs are added on top of User Charges, they could prove to be the "final straw" that drives industry out of POTW's, thus making it more expensive for those customers remaining in the POTW who continue to use it.

In particular, EPA's application of pretreatment standards is likely to make many industries consider self-treatment.

Going back to the '72 Clean Water Act, the second major issue is that of POTW capacity. ICR was supposed to be one of a number of strategies aimed at limiting capacity, trying to keep the size of treatment plants reasonable.

Based on the survey of the 241 wastewater treatment agencies from which we obtained data, the average POTW uses only 68 percent of its design capacity. The total ranges were from a low of 4 percent to a high of 120 percent.

It would appear that ICR, as presently formulated, has not acted to put a cap on the construction of excess future capacity in POTW's.

The third issue, that of water conservation, is not quite as clear. Based on the industries we surveyed, water consumption has dropped an average of some 29 percent, but the industries that we talked to about it attributed the water conservation primarily to higher water rates and to User Charges, not to ICR, because for industry right now, ICR, as a percentage of the water bill and User Charges, is still not that significant.

Moving on to the specific questions that were posed to us by Congress -- Congressman Roberts' questions -- we found through the surveys that the economic impact of ICR to date is not very significant, in most locales.

Some of the reasons are the facts that ICR hasn't really been in effect for more than a year or two in most places, and most grantees have suspended billings while the current moratorium is in effect.

The exception to the relative insignificance of ICR is in those cases where there are a large number of seasonal users and/or where there is advanced wastewater treatment as a requirement.

I might explain that a highly seasonal user has the reserve capacity and basically pays ICR on the amount of capacity they use during the peak season throughout the entire year. So, in a slack year -- in a slack part of the year -- they might be actually paying for four times as much capacity as they actually use. This is felt mostly by canners, people who are geared to a growing season, a very specific growing season.

And, of course, advance wastewater treatment is a requirement in certain states which, in many cases, the states have elected to impose. In those two particular cases, sewage treatment costs for industries have increased by a factor of several times.

The incremental impact of ICR above User Charges is generally not very great with, again, the exception of those two cases, AWT and seasonal users.

The combined impact of User Charge/Industrial Cost Recovery, however, can be very significant.

We were able to find only a few scattered instances of plant closing due to sewage costs, and in no case were those closings attributable solely to ICR. The total jobs lost in the plants that did close was less than a thousand and in every case, there were other factors, such as plant age or plant economics, which affected the plant closing.

ICR rates appear to be somewhat higher in older cities, particularly in the Northeast, and they tend to be higher in small to medium sized cities and in agricultural communities.

There does not appear to be an impact of ICR on industrial growth patterns to date. We were unable to differentiate the impact of ICR on small versus large businesses, because industrial plants just weren't willing to disclose production or sales data that we would have needed to make that analysis. The cost to industry of sewage treatment is much greater, some 50 percent higher, wherever advanced wastewater treatment is a requirement, as opposed to those cases where there were purely secondary treatment plants.

The next general area we looked at was the cost to the grantees.

The incremental cost to grantees to maintain and operate ICR, that is, the purely eliminatable cost above and beyond what a User Charge requires is very small compared to the costs of operating the sewage plant. The average was some $15,000 per grantee per year.

The average ICR revenues per grantee, one again per year, turn out to be approximately $88,000 of which, at the present time, only $8,800 is retained for discretionary use by the grantee.

So the ratio of administrative costs to revenues are almost 2-to-1.

There is some additional data that may be of interest to you which is included in the handout, and both Mike and myself would be pleased to discuss specific data with you during the question and answer period, or even when we take one of our breaks, or informally at the end of the meeting.

Basically, to summarize our findings and conclusions, ICR is not doing what it was supposed to do from either a parity standpoint or capacity-limiting standpoint or a conservation standpoint.

ICR has proven to have an extremely limited economic impact, recognizing now that very few cities have implemented ICR and that many of those who have have suspended collections during the moratorium.

ICR to date has had no significant impact on employment, plant closings, industrial growth patterns, import/export balance, or local tax bases.

Finally, ICR is not proving cost-effective in producing revenues for local or federal governments, at least in most cities.

Now, it is very important to realize, however, that the Clean Water Act had a number of societal as well as economic objectives. It was very important to Congress that not only would it avoid having the subsidy of industry by residential users and grantees, but they wanted to even avoid any appearance of using public money to subsidize industries that discharged to grant funded treatment works.

While our Study has shown that many of the economic objectives of that Act have not been met, the societal objectives still remain and it's for that reason we developed a series of alternatives to ICR for discussion, which we will be getting to later on in the meeting.

We'll be taking a break very shortly and I'd like to ask that you examine these alternatives during that break. It's entitled "Preliminary Compilation of Possible Study Alternatives" and it's dated October 10th, 1978.

That document presents some 16 alternatives that range all the way from eliminating ICR to leaving it the way it presently is.

As you look at them and study them, try to keep in mind that these alternatives are not mutually exclusive. Some of them could be combined and done concurrently.

With that, I would like to adjourn the meeting for -- I'll turn it back over to John.

MR. GALL: We will adjourn the meeting in a short period of time in order that you may have an opportunity to look over the list of alternatives that I hope you've all received copies of. If you haven't picked up a copy of the list of alternatives, they are at the registration desk down in the back of the room.

At this time I'd like to present Congresswoman Margaret Heckler of the Massachusetts 10th Congressional District.

The Congresswoman has been greatly interested in the focus of this Study, its impact and its direction, and she would like to make some comments to the audience this morning.

STATEMENT OF

THE HONORABLE MARGARET HECKLER

CONGRESSWOMAN HECKLER: Thank you very much, Mr. Gall and members of the panel.

As a legislator I have a great deal of concern about this morning's hearings.

The provision in the Law 92-500 which authorized EPA to hold hearings before imposing the ICR, Industrial Cost Recovery, charges on industry across the country came about as a result of a meeting that I held over a year ago with industrialists in my own city of Fall River, where we discussed the impact on the economy of Fall River of the proposed ICR charge.

I left that meeting with the strong and clear understanding that some change in the ICR was required, and my thought was that before the law was to be implemented, it was imperative that the Federal Government, especially the Environmental Protection Agency, establish a means of measuring the impact of the ICR on jobs and on the economy, particularly in the Northeast region of the country but, of course, elsewhere as well.

Now, today's hearings and the year-long study of the ICR are the culmination of the proposed study that I initiated as an Amendment to the Clean Water Act, which was then passed into law and mandated by the Act.

I think all of us have learned a great deal from the hearings and this is the third hearing that I have attended. The imposition of the Cost Recovery charges had an impact quite different from what was anticipated by the Congress when it was passed in 1972.

The intent of the legislation wasto ensure that industry pay its fair share of the construction costs for municipal wastewater treatment plants.

In 1972 the Congress anticipated ICR revenues to come between $4.5 and $7 billion dollars. The ICR charge is in addition to the User Charge for operation and maintenance of the treatment plants.

The perspective look at ICR was quite different six years ago than it is now. ICR revenues are now anticipated to be between $1 and $2 billion, with one-half of the $.5 billion and $1 billion transferring to the Federal Treasury.

This amounts to just 20 percent of the anticipated revenues. And then the impact, the economic impact, although fully not weighed yet, is major. Those companies that can afford to avoid the ICR charge will simply not participate in the system , thereby creating a heavier burden on those who have no other alternative.

The question is, is the ICR charge as outlined in Public Law 92-500 effective, based on today's economy?

I feel, clearly, that the answer is no, and that there are several factors that have led me to this conclusion.

The initial EPA Study results show that the combined User Charge and the Industrial Cost Recovery charge can be signficiant to industry. May I point out, for example, the case of Reed & Barton Silversmiths, one of the major industries in Taunton, Massachusetts, in my District.

It is my understanding that Reed & Barton spent approximately three-quarters of a million dollars for treatment facilities. On top of that, the company is going to be charged a sewer rate of $9.21 a thousand gallons, which is the highest sewer rate reported in this Study.

The company's water use charges will climb from $325 per gallon a year -- per million gallons a year ago -- to approximately $495 per million gallons this year, and will increase to an astronomical $900 per million gallons next year.

In short, in three years the sewer costs will triple. More specifically, I believe that the EPA Study has found that the Northeast is hardest hit by the ICR charge. Older Northeastern cities, both large and small, are bearing the brunt of ICR.

The nationwide average of sewage treatment rate of 1,000 gallons of water is 65 cents. Compare that with the figures that I have mentioned. This figure -- the 65 cents per 1,000 gallons of water -- includes operation and maintenance, bond payments, and Recovery Cost Industrial charges.

The rate in Taunton, Massachusetts is 80 cents per thousand gallons, or 25 percent higher than the national average.

The sewer rates for Fall River, Massachusetts are comparably higher as well, than the national average.

The conclusion that must be reached is that the Northeast is paying more than its share in ICR costs.

Finally, ICR has had an impact on industrial growth to date, and continues to have an unknown and so, obviously, negative effect on future industrial growth in Northeastern cities, especially our older cities.

The facts are difficult to ascertain. It's difficult to measure and evaluate and forecast future business decisions. But we can predict that when the cost of doing business in a certain area increases, the likelihood of attracting new industry to these same cities decreases in exact proportions.

ICR was in effect only one year prior to the moratorium which was passed into law and then in only a small number of cities. From the standpoint of a credible study, EPA seems willing to estimate industrial impact based on past activities. However, the breadth of evidence is not sufficient to really be telling in terms of the whole case.

The further complicating factor of the ICR is the long-term effect and its difficulty to assess. There is an understandable reluctance of industry to produce statistical detailing evidence, but I have heard from all of the industrialists in my city of Fall River and in Taunton, Massachusetts; and in Fall River, quite frankly, there are many industrialists who said this ICR cost is the cutting edge between continuing to operate in the city of Fall River and leaving -- closing the plant -- possibly going South.

And there we are, faced with these kinds of alternatives. A safe conclusion is that the Industrial Cost Recovery issue does affect the movement of industry. One can assume that where the cost of doing business is higher, as in the Northeast, there is a negative impact.

One can also conclude that the flight from industry in the Northeast can only be accelerated by the imposition of the ICR.

ICR in its present form is not working. It is not providing equity for the cities of the Northeast. In addition, I feel that it is time for the EPA to consider not only the questions of the environment, but the questions of the economy.

I have fought and worked and voted for the investments in the Environmental Protection Agency. I believe in clean water and clean air. But I also believe that we must have jobs and we must make ecology compatible with the economy.

ICR is not a factor in water conservation. User Charges and higher water rates are the key factors there. I feel that this Study can only come to one conclusion -- that Congress was wrong in its predictions in 1972 when they expected this great revenue to the Federal Treasury; that Congress can now learn from the hearings of this distinguished panel and from EPA's Study, that the impact on industry will be negative in that sector of the country which is suffering the greatest flight and the greatest economic impact.

I know that there are many alternatives before this distinguished panel, but I think the ICR cost has failed to prove its utility in the terms of its essential goals; it's failed to return funds to the Treasury as anticipated; and of all the alternatives, as the author of the Amendment which produced this Study, as one concerned with jobs in Massachusetts and in the Northeast, I think that there is only one alternative before the Committee and that is the abolition of the ICR.

Thank you.

(Applause.)

MR. GALL: A very good summation of a lot of attitudes that we've heard over the past several weeks in conducting the studies of these hearings in other cities.

Additionally, at this point in time, there is a member of Senator Chafee of Rhode Island's staff in the audience who would care to make a couple of brief comments for your edification.

So, if I might introduce now, Mimi Feller for Senator Chaffee's Rhode Island staff.

STATEMENT OF

MIMI FELLER

FOR SENATOR CHAFFEE'S RHODE ISLAND STAFF

MS. FELLER: I don't think I can edify you anymore than Mrs. Heckler already has done so I won't even try, except to say that many of the concerns that Peggy Heckler has mentioned this morning -- Senator Chaffee has heard the same ones, and I've seen several people here from Rhode Island in the front row and throughout the audience.

I'm Mimi Feller and I'm with his Committee Staff for Environment in Washington and Senator Chaffee was working with the Clean Water Amendments back in '77 where we set the moratorium and it was Mrs. Heckler's Amendment on the House side and then we considered it in conference and decided to put the moratorium on for 18 months so that we could do this Study.

And what I'm really hoping to find out this morning -- it's as clear in his mind as it is in Mrs. Heckler's that there's got to be possibly some changes made in the law.

We're not sure what steps to take. We don't want to hurt the structure of the Clean Water Act; and there are several things we need to watch out for in that area.

But what I came up here for is just to hear all of your thoughts on the various possible changes that are mentioned in the paper you'll be looking at.

I would also urge that if you -- you know, if you don't get all the comments covered today, if you would let Senator Chaffee know and also Mrs. Heckler, in Washington or in their local offices, any further thoughts you have when you can spend more time looking at the papers.

I'm sure that we'll want to try to do something legislatively and the more information we have the better job we can do. So I'm pleased to see such a good turnout, and come up and tell me if you have any thoughts today, or let us know in the next several weeks.

I guess this Study is going to be sent to the Congress, hopefully, by around December 25th although I understand the House has told them that they have an extension to December 30th.

So at least we'll probably be thinking of legislative ideas during the next several months.

Thank you.

MR. GALL: At this point in time we'd like to take a short -- probably about a 10-minute -- break so that you can avail yourselves of the restrooms, which are located down the hall, or the coffee shop, which is located on the third floor and down at the far end of the building.

I would also like you to use this opportunity to review the 16 alternatives that are put forth in the draft document that you have in your hands and I'll see you back here at approximately 11:10.

Thank you.

(A short recess was taken.)

MR. GALL: I'd like to start now the discussion of the Alternatives that have been presented to you.

Hopefully, this will take us approximately a half an hour or so. It may obviously take longer. When we finish we will break for lunch and we will reconvene in this room at 1:00 for prepared statements. We may have to adjust that slightly depending on how far -- or how long the discussion of some of the Alternatives takes.

As we go through these, I would suggest that you -- have you any specific questions or comments that you attempt to make them right at the moment, so that we can discuss each alternative individually.

Unfortunately, we were unable to have a floor mike, so I ask you to speak loudly -- the people in the back more loudly than the people in the front, so that our Court Reporter may hear.

VOICE: Could you have them come up?

MR. GALL: I think coming up is a possibility, but my opinion is that that kind of hinders the flow of ideas, plus it would take a lot longer.

And, as you stand to make a comment, please identify yourself and also your affiliation if you would.

At this time, I'll turn the hearing back over to Myron Olstein.

DISCUSSION OF ALTERNATIVES

MR. OLSTEIN: As we go through these, I'd like to remind you again that these alternatives can be combined, they are not all-inclusive; we've had a number that have been added as we've gone through the hearings.

I guess the final point to make is that we feel that -- you know -- our Study can't just stop with the data, answers to specific questions -- we have to develop some alternatives.

At this point in time we haven't chosen any one that we prefer and we're not going to until after we study the transcripts from all of the public hearings, which are still in process.

So, you know, none of these reflect a specific position that we've taken yet.

I'm going to go through them; I won't read all the advantages or disadvatanges. I'll try to briefly summarize and try to give you some of the ideas behind each one. And if you have a question relating to one or if you just want to make a comment, we'll just do it -- you know -- one at a time.

The first alternative, which is to abolish ICR -- I think the previous speakers gave some of the reasons for doing that.

It would certainly eliminate a lot of the complaints that resulted in the Amendment to the Clean Water Act -- complaints from both grantees and industry.

As I noted, it fails to -- there still remain open the societal issues that were apparently in the minds of many of the legislators at the time they wrote the original ICR Amendment to the Act.

Are there any initial comments to be made on that alternative?

(No response.)

MR. OLSTEIN: Okay. If you don't make them now, we still have the question and answer period coming up this afternoon.

The second alternative tries to deal with the capacity issue and I think that that is one of the very real important findings that came out of our grantees' survey. Excess, uneven capacity costs everybody some money because in a treatment plant most of the costs are fixed. If it's bigger than you need, it's going to cost everybody more than it should.

And alternates, both 2 and 3, attempt to deal with the capacity issue in a different way than it is currently being dealt with.

In Alternative No. 2 the grant funding for the construction of treatment works would be based at the current level of usage. In other words, the cost of building a plant to meet, you know, the current level of usage -- the grant would be 75 percent of that cost and for anything above that amount, additional feature capacity, the percentage would drop.

Under Alternative No. 2, ICR would be based on the current regulations. No. 2 is just an attempt to deal with the capacity issue a little more directly. It would obviously cost communities -- at the beginning of a growth phase it would require a lot more local funds to build a treatment plant the size they feel they would need at some point in the future.

Any questions on Alternative 2?

(No response.)

In Alternative 3 it would be that same sliding scale approach dealing with capacity, but it would be based only on the non-industrial capacity.

Obviously, under that alternative, ICR would not be necessary because no portion of the Federal Grant Funds would be for industrial capacity.

Alternative No. 4 is an attempt to simplify ICR for the grantees that have to administer it and basically limit ICR just to treatment works costs only, rather than any part of the interceptor system.

Alternative No. 5 is the different way of trying to deal with the equity issue that Congress had in mind back in '72. Instead of trying to identify industry's share of the Federal Grant on a proportional basis, what it would attempt to do is try to identify the incremental costs associated with industry being in the plant, and then ICR would be based on just the added increment of industrial participation in the treatment works.

In this way, theoretically, everyone would be in a position to benefit from economies of scale, but there are some administrative difficulties just in -- you know -- determining what really is the incremental costs.

Any comments on that?

(No response.)

Alternative No. 6 basically puts the -- gives the grantee the choice as to whether or not to be under ICR. If the grantee would prefer to avoid ICR, then the grantee could use their own funding, alternate sources of funding for industrial capacity, and given that option it would allow -- it would push that position down to the local level. Under current ICR regulations you can't take that option.

If you accept the grant, you have to accept ICR.

Yes sir?

VOICE: Would we get --

MR. GALL: Would you identify yourself, sir?

VOICE: Makram Megalli, Director of Public Works, Woonsocket, Rhode Island.

-- Where would you get that fund to pay back that -- this amount?

MR. OLSTEIN: This is on Alternative No. 6?

MR. MEGALLI: Yes.

MR. OLSTEIN: The question is where would you get the funds to pay back?

MR. MEGALLI: Yes, where would you get that fund?

MR. OLSTEIN: To pay back the industrial share?

MR. MEGALLI: Yeah.

MR. OLSTEIN: Presumably, it would be either -- you know -- a state grant if you were in a state that provided treatment plant grants or your own local sources that finance it.

MR. MEGALLI: And if you get it from your own local sources, at the end it's coming from industry so that's not an alternative, is it?

MR. OLSTEIN: That's true.

MR. GALL: It may or may not be an alternative. The idea is the option -- there are two options that are provided. One would be essentially a 30-year interest-free loan from EPA, in which case you get all the problems of the administration of ICR.

But the other option leaves it open to the community decision. It may be true that you would utilize, for example, ad valorem taxes. In other words, the community could make a conscious decision to fund the industrial component, in which case the amounts the industry would see directly would be proportionately less than had they paid ICR.

So it depends upon what types of financing options are available through other sources to industries and I don't know, Myron, if you're a tax expert as to whether IDB's could be sold for this purpose, in which case the industry would have the advantage of -- correct me again if I'm wrong -- depreciation.

MR. OLSTEIN: No, you couldn't use -- Alternative No. 6 -- I'm 99 percent certain, couldn't be structured to give industries a share of depreciation, but you could use an IDB and get a lower rate of interest that way.

MR. MEGALLI: If you look at this alternative very closely, in fact what you're saying is that that share to pay back, or that funds, will come from taxes ultimately and that will come from industry and residential and all other classes.

So what you're saying, instead of distributing the Industrial Cost Recovery only for industry, shift some of that cost also to other users.

Is that what we're going to do?

MR. OLSTEIN: Yes, that would be one of the things that would happen.

MR. GALL: But remember, again, it's a local option so there would have to be a conscious decision at the local level to, in fact, do that.

MR. MEGALLI: Fine.

MR. GALL: It's just an alternative.

MR. MEGALLI: Fine, if it's just an alternative. But what you are doing is increasing the tax rates in the city or the locality if they chose this alternative.

MR. GALL: That's correct.

MR. MEGALLI: So whatever you do with Industrial Cost Recovery, it seems it is going to affect the tax structure at a time when everybody around the country is looking at the taxes, want to reduce taxes, now you're telling me you are forcing us to increase taxes.

I don't think Industrial Cost Recovery is beneficial.

MR. GALL: Again, I'd like to call it an option.

MR. OLSTEIN: As I said at the beginning, we're not endorsing any of these.

There are, I think, alternatives -- Alternative 6 might be the type of thing that a large city with very little industry might want to go for, just to avoid the administrative costs associated with ICR. That -- you know -- that might be the type of city that would elect to go that way.

It's just an option.

MR. MEGALLI: Thank you.

MR. OLSTEIN: Alternative 7 is an attempt to simplify the administration of ICR and to reduce the inconsistencies that exist in ICR rates, and what it would do is basically establish national ICR rates or regional ones that could be based on geographic bases. Presumably, there would be different rates for different classes of industry and it would be one way to assure that anyone that's affected by ICR faces the same unit rate, assuming that it's in similar industries.

Once again, there may be some very sizable problems just in developing rates that might be applied that way.

The gentleman in the back?

MR. GOODWIN: William Goodwin, the City of Portland, Maine.

I was just wondering about Alternative 7 -- whether or not this would be effective on cities, grantees, who received their funds prior to the '72 Amendments, and received secondary treatment with those funds which do not have ICR requirements.

In an equity sense it would seem if you were going to go to a national or regional basis -- thus we go back and pick up those who do not have a future treatment plant construction because they've already got everything they need -- they got it before the '72 amendments.

MR. OLSTEIN: I'm not a constitutional lawyer, but I believe the answer to that question is that if you received

84-660 funds, that included a charge that had to be made to industry also.

The charge is, I'm certain, much smaller that it would be under ICR regulations administered. If your grant was based on prior law, then you're not affected by anything that happens after that.

John?

MR. GALL: I'd like to make an observation on the relationshipsbetween 84-660 and 92-500.

It may not be readily apparent to everyone in this room because all of the six New England states at that time had matching grant funds and that, I believe, is not the case throughout the nation. And so that the 84-660 projects less 5 percent H.U.D. planning bonus, I believe, would have meant the ultimate project cost would only have amounted to 50 percent, whereas under ICR or 92-500 you get a 75% funding.

The point that I wanted to bring up was that if you were in a state where there were no matching state grants 84-660 could possible be worse for industry than ICR in the 92-500, because you have to bear a proportionate share of the 50%, plus the cost of financing that which, over a 20-year period, may be worse than just going with a straight pro rata percentage of the 75; so I'd like you to keep that observation in mind if you think of some of the relationships between 84-660 money and 92-500 money.

MR. OLSTEIN: There are a number of other things that Alternative 7 might do.

There are some grantees that, because of the nature of their grants, have to recalculate the ICR rates almost annually as new facilities come on line. So there's another -- That's another area where it would simplify things.

Alternative 8 would basically establish a number of circuit breakers that would permit ICR exemptions based on unusual and extraordinary local circumstances. It could be based on economic conditions, or it could be just different ways of establishing floors for entry into ICR.

You could make a floor based on, you know, the size of the ICR bill that's going to be rendered; it could be based on a level of discharge; it could even have incentives built into it.

Once again, there are some -- It could be a very difficult thing to administer, but it would be another way of providing flexibility and more local options in ICR.

Alternatives 9 and 10 are similar; No. 9, for example, would basically just reverse -- act as a way of reversing some of the tax law advantages that are currently existing for self-treaters.

Of course, it's a case, you know, of taking money from industry with one hand and then giving it back with the other. But it would in fact lead to somewhat more equity rather than less.

Alternative 10, which may become a consideration in the near future, would be the tax credit for pretreatment costs that industries are going to have to bear in the future.

Both have, you know, would have to be worked out, but this is a tax method for dealing with that.

Any comments on 9 and 10?

(No response.)

Alternative 11 would be to return to the requirements of Public Law 84-660, which would in effect abolish ICR, but reinstitute the former charge known as IW, Industrial Waste Cost Recovery, which was a mechanism for recovering the local share of the treatment works.

The amount of revenue that would be obtained under 84-660 would tend to be quite a bit lower. In nearly every case, I think, ICR would be much simpler to administer at the local level.

Sir?

MR. MEGALLI: My name is Makram Megalli, Woonsocket, Rhode Island.

I would like to ask a question about Alternative No. 10. You say you allow tax credit for pretreatment costs. You mean if somebody has to pretreat now, that's not tax credit, he cannot claim that for taxes?

MR. OLSTEIN: Well, there would be some tax credits, depending on the way he financed, on the way the pretreatment works were financed.

Right now, unless you structured it properly, you get a tax deduction if a business expense but not -- you can-- Mike, are you familiar with the requirements?

MR. TOWNSLEY: Not that familiar; but it does take a special facility to qualify as a credit.

You do get a deduction for the expenses if you can't qualify for a credit though, just like any other business expense.

MR. MEGALLIS: Oh; I see.

MR. TOWNSLEY: It's the difference between a deduction and a credit.

MR. MEGALLIS: Okay.

MR. TOWNSLEY: A credit is against taxes.

MR. MEGALLIS: Okay. Thank you.

MR. OLSTEIN: The other alternative under 10 might be to -- I admit it's not very clear the way it's written -- but it might be to use monies you spent on a pretreatment facility as an off-set to ICR charges.

So it wouldn't be a tax credit, it would be an ICR credit, that would be associated with pretreatment costs.

MR. GALL: Do you have a question, sir?

MR. SCHMIDT: You'd also get depreciation costs, wouldn't you?

MR. OLSTEIN: Your name?

MR. SCHMIDT: Adolph T. Schmidt, Woonsocket.

MR. OLSTEIN: You would get depreciation costs, obviously, if you built your own facility. You always had that.

Alternative 12 would abolish ICR and require that local share of project costs be recovered through proportionate User Charge, and basically, that would take the User Charge concept and extend it to the local share of capital.

This could be viewed as a way, you know, of maintaining equity by requiring proportionate repayment by industry of the non-federal share, but it would, of course, severely limit any rate flexibility at the local level.

In many cases it would almost entirely eliminate it.

Sir?

MR. WOODCOCK: Christopher Woodcock, Camp Dressler & McKee.

This alternative I think is very clear; in many cities and towns if it results in a user charge, particularly in towns with partial sewers, extraordinary high user charges, with a reluctance to adopt user charges at the level they are now appearing. I think this would only make the situation worse and this alternative should probably be avoided.

It would make a situation in many towns and cities that is bad a lot worse situation.

MR. OLSTEIN: Okay. You realize that in the case of 12, the local capital we're talking about is the local share of the grant?

Sir?

MR. MEGALLIS: The local share -- say in our case it's 10 percent -- is financed through taxes, so what you're telling us now, it switches from taxes through user charge. You mean what that means? That means we have to have administrative costs to switch from one system to the other. When we started one system the end result was the same. We already collected that money through taxes. What are you doing; you're just collecting through another mechanism.

But through that other mechanism, you are adding administrative costs - and that is inflationary measures again.

We're trying to reduce inflation. We're trying to reduce --

MR. GALL: No.

MR. MEGALLIS: -- higher taxes. But what you're telling us...switch it to user charges, we have already collected the taxes. Now -- he's saying now, start with your own system -- different system, and collect it with the user charge.

MR. GALL: Mr. Megallis' comment is that by switching the local share of capital costs from the ad valorem system onto the user charge would increase his administrative costs and he believes that to be inflationary.

Two things; I think that you have to realize that this alternative is structured to attempt to address the question of equity or parity that we believe was a prime focus of the 1972 Amendments. And so that in doing so there are almost invariably results in a pinpointing of a certain cost to certain users. So to the extent that that requires additional administative costs, yes, there would be problems.

But I think the way that we envisioned this alternative is that simply -- your costs that you recover through your user charge system, which, in this alternative, is a given -- that you are going to have a user charge system anyway, so that the incremental administrative cost we believe, is very difficult to identify.

MR. MEGALLIS: I do appreciate the problem of equity. But, also, we are faced with another problem. That is, you are trying to tell the local governments what to do. You are -- you care about the equity and your federal share, but now you're outstepping your bounds and you're coming down to the local level and you're telling them how to operate their city.

Don't you feel that this is imposing on local units in telling them how to run the city?

MR. GALL: Certainly, without a doubt it is another aspect of Big Brotherism, if you will.

(Laughter.)

MR. OLSTEIN: Are there any more comments on 12?

(No response.)

MR. OLSTEIN: Alternative No. 13 is an alternative that would increase ICR charges and would have an interest component on the assumption that the alternatives are presently an interest-free loan from the government on one hand or, you know, self-financing on the other.

MR. MEGALLIS: Are you trying to improve the situation or make it worse?

MR. OLSTEIN: As I said, these are alternatives.

MR. MEGALLIS: I'm discussing it as an alternative. Are we trying to improve or worsen the situation?

MR. OLSTEIN: It would raise --

MR. MEGALLIS: So what are we accomplishing here? Spend more money for a Study telling us that we should increase ICR?

MR. OLSTEIN: There are some people that do, in fact, feel very strongly on this point.

MR. MEGALLIS: I'd like to hear their objective on being very strong on that point.

I'd certainly be very interested.

MR. OLSTEIN: Okay.

Alternative 14 would be to extend the current ICR moratorium, which would of course postpone things somewhat. There may be -- if I can explain this, some of the reasoning behind this better.

There are, of course, a lot of people on the Hill who are interested in the results of this Study. And one of the problems that you have whenever you try to measure what's happening in a long-term program, the entire ICR program from beginning to end is probably going to span more than four years if you begin counting from 1973.

And one of the obvious problems is that trying to measure things in 1978, you have to make a lot of projections. We've already seen a lot of the projections that were made in 1972, when this was first proposed, and it turned out to be quite a bit off.

And one of the reasons behind this alternative is that some of the decision makers may want to see much clearer economic pictures than we're able to give them right now.

The other factor is that we have a set of pretreatment standards which are going to have a very substantial impact on ICR. There's quite a great deal of relationship between the two, and I've had a number of industry groups tell me that in their opinion an economic assessment of ICR really cannot be made until after all the pretreatment standards have been promulgated.

So, that's partly the reason behind No. 14.

Yes?

MR. PATTERSON: Hedley Patterson, City of Woonsocket, Rhode Island.

Just one question. Would the proposed moratorium on ICR -- if extended, would that mean that the amounts due to the government during the moratorium period simply go into escrow and at the end of this moratorium, whenever it comes, that means there would be one large balloon payment to cover the number of years over which it has been held in abeyance -- is this correct?

MR. OLSTEIN: It's not a necessary feature of that alternative. Many say it would be the case.

MR. PATTERSON: In the moratorium that is presently on now, it is our understanding the Industrial Cost Recovery charges normally collectible during this period would still be owed by industry at the end of it.

MR. GALL: Mr. Patterson's question is the state of ICR payments during the extended moratorium period that we are proposing here as an alternative and additionally he's expressed his understanding of the current moratorium and the relationship of the deferred charges that are now being held.

First of all, in this alternative we really haven't structured any kind of -- at least I don't know, I'm not aware, that we structured any type of what you're going to do during the moratorium, so it's really open.

Whether we would, at the end of the extended moratorium, start with a 30-year period at that point in time, or whether we would defer and allow repayments over some extended period has not been too well thought out.

In terms of the current moratorium, there is no obligation on the part of our grantees to collect the monies although they have the option should they so desire.

However, you are correct in saying the monies owed on the moratorium sort of become a debit against the particular industry, to be recovered when the moratorium runs out in June of next year, either in a lump sum payment or over the remainder of the useful life of the treatment works, whichever way the industry decides.

I believe that's an industrial decision.

MR. BUNDY: Kenneth Bundy, from Reed & Barton, Taunton, Massachusetts.

Right now, if they put a moratorium on holding the ICR, half of this money is supposed to be, as collected, should be invested for the city or so on and so forth, thereby giving money back into the operation of the plant.

The total package of this if this moratorium is held off, is going to be until this is settled, throw more onto the average homeowner.

MR. GALL: The observation is that on the monies that are currently being deferred, could normally have been, in some proportion, used to offset the existing operations and maintenance of User Charges.

That, of course, is only true for the 10 percent discretionary amount. The other 40 percent that the municipality keeps in their own coffer cannot be used for O&M. It could be used for other legitimate purposes related to the wastewater treatment plant, so that there is a connection.

But it's not quite as direct as 50. I think the observation is certainly true, although the impact of it is going to vary from grantee to grantee and I think, in general--

MR. BUNDY: But to defer 10 percent of the operating cost of the municipal plant is going to mean quite a tax increase or decrease to the homeowners, and the homeowners are starting to pick it up in our area, I know.

MR. GALL: Yes. I'm aware of that. Again, it would not be 10 percent of the operating cost of the facility, it would be 10 percent of the ICR revenues.

So that, I don't know what the numbers are specifically, but had you, for example, a $700,000 a year O&M bill, and $100,000 would be your ICR total collection, out of that ICR you'd be able to use $10,000 towards O&M out of $700,000. I think the number could get large if there's a very large or preponderance of industry making large deferred payments. It's a good observation.

MR. OLSTEIN: I might add that if, for example, is given consideration and the reasoning behind extending the moratorium is, in fact, to see what the impact of pretreatment standards is going to be and to give a better economic picture. But it would seem to me thatjust eliminating the payment during that period would tend to make some sense because, in the case of pretreatment -- you know -- we're talking about extending it for two and a half years I guess, so it would be rather a substantial amount of time. To keep all of that money in escrow would wind up being more of a p roblem.

Alternative 15 which is, in fact, an alternative that's available to Congress, is just to maintain ICR in its current form.

This would obviously not require any changes, but it wouldn't deal with the problems that have been raised or associated with it.

Alternative 16 is an attempt to deal a little bit more directly, once again, with the capacity issue, and it puts a little bit more of an onus on industry to require a very firm letter of commitment regarding industrial usage.

Theoretically, this would tend to reduce the amount of excess capacity, but it would, of course, take away industry's flexibility in deciding which way they were going to go on wastewater treatment.

Mimi?

MS. FELLER: Mimi Feller for Senator Chaffee.

Are you offering that as a substitute for ICR; in other words, if an industry is willing to commit to a certain capacity therefore, the whole -- part of the idea of ICR is that you don't want them to say "we need so much capacity" and then have the city overbill, etc.?

Or are you saying that you want this commitment, plus still continuing to pay ICR?

MR. OLSTEIN: Okay. John?

MR. GALL: I think it's -- if I could reiterate the question -- it's whether or not Item 16 would still continue ICR in any form. I think it's fairly clear if we're attempting to address the issue of sizing and capacity that merely requiring a contract without some kind of penalty for failure to deliver would mean no incentive for industry to reasonably predict their future flows.

So that, as I would see it, in attempting to address the future capacity issue, there would have to be some type of clause in there for failure to deliver a certain stipulated flow.

Whether that takes the form of ICR in terms of payment back to the Federal Government or whether that takes the form of a penalty which could be paid to the local government -- again, that is not the kind of detail we've gone through.

MS. FELLER: But if the commitment is met, then you say no payment of ICR?

MR. GALL: That's one way of looking at it. Only -- in essence, if you could, it's the reverse of current ICR. In a way, you pay for that that you contracted for but didn't use; that you contracted for and do use; no payment.

I think there are a thousand spin-offs on that particular option as to how you may want to approach financing, both at the local level and in concert with EPA in the state.

Mr. Megalli?

MR. MEGALLI: Can you explain to me what is equity in this solution here? What's is the theory behind it? What kind of equity have you?

MR. GALL: Well --

MR. MEGALLI: I thought the major issue was equity in that -- of the ICR, its cost effective. But what does this solution offer in the terms of equity and cost effectiveness?

MR. GALL: Well obviously, if there is no ICR -- what we call ICR by way of payment -- if there is no ICR it's fairly clear we have made a conscious decision that that really isn't what we are looking for. The focus would then have to be the future planning.

If you follow what I am saying --

MR. MEGALLI: No. I'm afraid I don't.

MR. OLSTEIN: Let me try to answer that question. If we can, just for the sake of argument dispense with the specific questions that were directed to us, the nine questions of Congressman Roberts, and just go back to 1972, to say -- you know -- why did they come up with ICR in the first place.

We identified three very major reasons that the Committee members had in mind, there were some minor ones, but basically it boiled down to those three: Equity, capacity and concentration.

As I think, or I hope, we pointed out, the entire equity issue has really been, you know, compounded and confused by the actions of other committees, specifically the Finance Committee, which has, you know, changed all of the ground rules that were in existence in 1972 and, you know, you can try to do something with that but it's a lot more complicated than it was thought to be in '72.

We took a look at the conservation issue and found out that there are other forces in conservation, I think the record on conservation has been in mind, at least, pretty impressive.

So we're left with the capacity issue, and you don't have to be a mathmatical genius to realize that if the grantees that we surveyed serve approximately half the population of the United States and they're running at an average of approximately 68 percent of capacity, and you're talking about $45 billion going in grants to them and, you know, what is that excess capacity costing. And compare that to the total over a 30-year period of $1 billion and $2 billion in ICR payments -- you know, capacity is a much bigger problem than ICR is, and the question is how do you deal with that.

MR. MEGALLI: But don't you feel that Alternative 16 is contradicting the conservation measures? You tell me that if you conservate, if you reduce your water consumption by somehow or another, then we're going to tax you?

MR. OLSTEIN: I don't think that's the intent of it.

MR. MEGALLI: Yes. But isn't that in fact --

MR. OLSTEIN: You know, that's another factor that you have to consider when you structure that.

MR. MEGALLI: As far as the capacity, did you take into consideration in your Study that all the plants are designed for 30 years, theoretically, and probably, you know, you surveyed the existing capacity now, which isn't the design.

When you build a plant, you don't build it to handle only the flow coming today then after five years you have to build another one.

You know, so this whole alternative, it might be built on the wrong assumptions, because you -- you know, you observed that only half the capacity is being used. That could be true. But within 30 years you may need that capacity.

MR. GALL: I think that the numbers that Myron quotes are interesting. It's very difficult to make the logical jump from describing the entire 32 percent under-utilized capacity to the industrial sector. Obviously, a great portion of that which ICR never would have controlled -- domestic, commercial, institutional types of users.

But I think you're getting a little bit afar here in that what we are attempting to do in this alternative is to ensure that we don't build too much capacity for the future, not that we don't build adequate reserve capacity for the future, but that we're not constructing, you know, megaliths that will sit out there and be under-utilized.

One of the very telling kinds of pieces of data that has been turned up in this Study was that 68 percent is the national average, and the highpoint was 120 percent. Obviously, that plant needs to be expanded. The lowest percent of utilization, however, was 4 percent.

Now, that is the kind of problem -- and I think everyone would admit that that's a problem -- that this alternative is trying to address.

MR. MEGALLI: I can appreciate this problem. But one thing also that's not addressed -- that if you build a larger capacity plant than what you need, your operating and maintenance cost is much higher and, therefore, your User Charge is higher, so you have the mechanism to control the capacity. I don't think any community consciously will build a bigger plant or larger plant than they need and jeopardize the chance of their paying a higher User Charge.

You have the mechanism, you don't need ICR to control it.

MR. GALL: Well, that I think is a very logical approach to it.

It's been my experience as a User Charge Coordinator for Region I, however, that the emphasis on financial planning in the initial stages for a lot of reasons probably hasn't been as broad as it might have been. I think the major one is that in the meantime we have a lot of plants we are building now were designed in 1972 and the economy was certainly different then.

MR. MEGALLI: I did want to mention the fact, also, that all of the design is supposed to be reviewed by the EPA Agencies and instead of adopting an ICR system with your administrative costs for the ICR system and to more technical staff to review and assure that any new building or any new facilities that are to be built are only for the required capacity -- that would be more beneficial than just trying to create another program over another program, and another administrative cost over another, and inflate costs, and just go around the subject -- go hit the subject right on the target and that's how you control it. You have the User Charge to control it. Increase your staff to have a more thorough review instead of adopting another program for the ICR which doesn't prove to be -- you know, I don't feel that too many people are very enthused about it and it is no sense in adopting that program.

You have other mechanisms to control what you're trying to achieve in Alternative 16.

MR. GALL: Okay.

MR. SUTTON: I just want to make a comment on that point.

I wonder if the people in the back can hear the questions here. Can you?

VOICE: No.

MR. SUTTON: Can I ask the people at the head table then, when they are addressing the question to try to repeat or rephrase the question.

There is a discussion going on on the utilization of the ICR procedure to reduce or control excess capacity as one of the purposes of whether it meets that function or not.

And the question has been raised here as to whether that is a good purpose for ICR. I just want to comment on two things that the gentleman raised which I intend to agree, from our observation that we seen.

One is the statistic that has been mentioned several times -- that the national average shows that only 68 percent of the capacity of the treatment plants is being utilized at the present time.

Obviously, as John Gall indicated, extremes such as 4 percent cannot be tolerated, but just on a national average of 68 percent, I think that statistic can be very misleading and I want to emphasize that, again, a treatment plant in general may be designed for perhaps a 20-year period and assuming the average age of the plants we are talking about, I'm making an assumption, is 10 years, and many of them are not even that old John tells me -- but just for the purposes of my point, obviously the plant that we are talking about in the national average has about, perhaps, 10 years more to reach its design capacity.

And these are built for future growth of not just industry but commercial and domestic and residential, you know, just like the increase in the birthrate or people moving into the area.

If we assume that only 2 percent a year, which is not a very high figure I think, in many of these areas over a 10 year period you are talking, including compounding of perhaps a 25 percent increase in flow.

So if you add 25 percent to your 68 percent you're up to perhaps 95 percent, just throwing those rough figures out.

In other words, the national figure of 68 percent will probably be right on track with what the design practice is. And I'd rather look at it that way then to say that that indicates there is excess capacity.

If the national figure showed a 98 percent utilization I think we'd be really worried because then we'd be rebuilding and redesigning these plants right away.

So much for that.

Now the question of ICR and to whether that's a good mechanism to control excess capacity, the point was made that there are better ways to do this, which is to make sure that when the planning and designing are done that there is no excess capacity provided that whatever is provided is called for and is justified, and that's a function of the municipality, the state and EPA in designing these plants and projects.

One point that has not been mentioned that I just want to indicate. We do have a new law now. There is a 1977 Act and our new Regulations have just recently come out within the past few weeks. And if you refer to the cost effective guidelines -- and I wish the reporter to get this in the report -- there are very specific controls and limits which have been added to the whole question.

There are specific limitations on the reserve capacity allowed for industry which was not there before. There are also specific guidelines on design areas and carrying capacity that were not included before.

So I do think these things should be referenced, and perhaps they are a much better method of controlling the so-called excess capacity than ICR.

We are approaching lunchtime, but we would like to finish this phase of the questions and if there are any additional questions on these particular alternatives, we will continue for at least a while.

MR. OLSTEIN: I'd like to add an additional alternative that was offered at one of our prior meetings, which was to retain all of the ICR collections locally and to take that share that would go to the Federal Government and apply it towards things like the administration of ICR pretreatment programs and costs associated with industrial users, the idea there being that, you know, the Federal Government doesn't have a very specific need for those funds and we're in a period now where there are additional regulations and costs associated with serving the industrial sector.

John?

MR. GALL: That will complete our presentation for this morning.

We have scheduled this afternoon a number of speakers among the audience, who will be talking to us. I'd like to go through them down the list for those of you who may be interested.

First of all we have Mayor Viveiros of Fall River; followed by George Darmody, who's the Executive Director of the Fall River Industrial Development Commission, I believe; Mr. PatrickHarrington, who represents United Merchants in Fall River; John Walker, who's the Research Director of the Chamber of Commerce of the Greater Portland, Maine region; Mr. Makram Megalli, the Public Works Director for the City of Woonsocket, Rhode Island; Mr. Hedley Patterson, Mr. Megalli's right-hand man.

Following that we'll have David Phillips, Executive Director of the South Essex Sewerage District; Mr. William Torpey, of the Greater Fall River Chamber of Commerce; Mr. Philip Murray of the New Bedford Area Chamber of Commerce; Mr. Ralph Guerriero from the Fall River Textile Processors Committee; Mr. Goodwin from Portland, Maine; and

Martin Hadley the Chairman of the Sewerage Commission from Hamilton, Mass.

We originally had anticipated scheduling our first speakers at 1:00 p.m. o'lock and running them at 15-minute intervals. I have a feeling that the speakers will probably be a little bit shorter, so if I might I'd like to reconvene at 1:15 p.m. and start at that time.

I would like to remind you that the record -- the written record -- will remain open until November 6 of this year and any comments you would like to make up until that time should be sent to me and to Myron Olstein at Coopers & Lybrand in Washington.

Mr. Patterson?

MR. PATTERSON: One last question, is it satisfactory to leave our material here during the lunch period -- will it be safe?

MR. GALL: I intend to leave mine, how's that? I would suggest -- Mr. Patterson asked about the safety of leaving material here. Have you a calculator or any kind of thing like that, I believe I'd take it with me. I don't think anybody is going to steal a list of 16 Alternatives for ICR-- if they did, I wonder who they are.

(Recess for lunch at 12:07 p.m.)

AFTERNOON SESSION

MR. GALL: At this time I'd like to reconvene as it were and start off with the prepared statements of the various people who have scheduled the same with us.

I read earlier the list. We have approximately 9 or 10 statments, following which if anyone would care to make a statement rather than a comment, you're welcome to come up to the podium and do so.

For those individuals who are going to make prepared statements, I would appreciate it if you could make a copy of your statement available to our stenographer, court reporter, prior to the delivery of your speech. That will expedite his or her burden.

I would like to ask Mayor Carlton M. Viveiros of Fall River, Mass to come forward, and I think it would probably be best if the statements were delivered from the podium here.

STATEMENT OF

CARLTON M. VIVEIROS

MAYOR, CITY OF FALL RIVER, MASS.

MAYOR VIVEIROS: Good afternoon. My name is Carlton Viveiros, I'm Mayor of the City of Fall River, Massachusetts.

May I open by thanking the Environmental Protection Agency for the opportunity to comment on the Industrial Cost Recovery issue, which will affect the economy of the City of Fall River and its industrial climate.

I am here today on behalf of hundreds of people who stand to lose should an Industrial Cost Recovery program be implemented and their employers be forced to add a non-productive expense to the cost of doing business in this country.

I have reviewed the preliminary list of 16 Alternatives prepared by Coopers & Lybrand and find only two suitable for the large majority of industries that will be paying the brunt of the cost of recovery.

Those are numbers (1) Abolish the ICR; and (9), which allows a tax credit for ICR payments.

However, I find only one acceptable to the City of Fall River: Number One, Abolish ICR.

My reason is logical -- abolishment of ICR eliminates the burden on both city and industry while a tax credit to industry eliminates burden of industry, but will require a municipality to absorb the cost of monitoring, administering and implementing the program; and since our only source of revenue is property tax, it would create a burden for every resident in every city across this nation.

The Cost Recovery Bill for Fall River's industry will be just over $4 million, which breaks down to $134,000 per year for 30 years. The brunt of that cost would be absorbed by 10 industries within our community; but I doubt if it will be for the entire 30 years, because some of them would be out of business long before that period.

Of that $134,000 payment annually, 10 Fall River companies would pay $110,000, ranging in assessments from $4,000 to $26,000. Add to those figures another $250,000 annually for the operation and maintenance cost of the sewage plant, and government is making a strong bid to force some companies out of business and place some of its citizens on welfare or Social Security.

Industrial Cost Recovery is indeed double taxation, but without double representation.

We are most concerned with the effect of Industrial Cost Recovery upon our dye and finishing industry, which unlike most of the industrial categories studied, has to contend with foreign competition.

Fall River is very concerned with the drain on cash flow which will be placed on our companies if Industrial Cost Recovery is implemented.

We are primarily concerned about the 3,200 persons now employed in these industrial plants and the effects of Industrial Cost Recovery upon their livelihood.

Adverse Affects: Industrial Cost Recovery would tend to erode our tax base in Fall River; it would tend to increase our unemployment lines, it would tend to increase our welfare rolls; boost government payments to hospitals for medical care and numerous other social programs.

It is also true that Industrial Cost Recovery would provide some additional monies to our Treasury. That gain, however, would be far offset by the pay-out by government which Industry Cost Recovery would eventually create.

It, therefore, simply makes good sense to eliminate a program which will end up costing more than you will receive.

There are other factors which the EPA must consider before making its final recommendation to Congress, one of which we hope will be the competitive edge Industrial Cost Recovery will create for foreign manufacturers over United States manufacturers in the textile industry.

Too long has our Federal Government regarded the textile industry as a secondary job market. Too long has national policy put this industry at a disadvantage in the world market.

We all take pride in our dress. And we in Fall River not only manufacture the clothes people throughout this nation wear, but we manufacture the best quality of clothing in this nation.

Abolishment of Industrial Cost Recovery will not solve all the problems in the textile world, but it is a big first step in showing the people of this nation that we care for our own.

In closing may I say we feel our reasoning is sound, our arguments credible and respectfully request that the Environmental Protection Agency recommend to the Congress of the United States that the Industrial Cost Recovery section of the Clean Water Act be abolished.

Thank you, gentlemen.

MR. GALL: Thank you, Mr. Mayor.

At this time I'd like to call on George Darmody from the Fall River Industrial Development Commission.

STATEMENT OF

GEORGE T. DARMODY, EXECUTIVE DIRECTOR

FALL RIVER, MASS. INDUSTRIAL DEVELOPMENT COMMISSION

MR. DARMODY: Thank you very much and good afternoon.

I'm George Darmody, Executive Director of the Fall River, Massachusetts Industrial Development Commission.

I am here today to echo the sentiments of Mayor Carclton Viveiros and inform this Committee of the potential adverse effects implementation of Industrial Cost Recovery would have upon the economy of the City of Fall River, Mass.

May I offer my congratulations for a job well done to Coopers & Lybrand. I have reviewed the 16 Alternatives and feel the Study group did an excellent job, but from the City of Fall River's viewpoint, Coopers & Lybrand could have stopped after Alternative Number One - Abolish ICR.

The Fall River Industrial Commission opposes all alternatives except the abolishment of Industrial Cost Recovery.

From a cost perspective, the total pyament of Cost Recovery made by any single company should not bankrupt that company. However, within the textile industry that cost is added to several other non-productive costs, which increase tremendously the cost of doing business in the Northeast and does not enhance the competitive position of businss operating in this section of the nation.

Manufacturers in Fall River and other parts of the Northeast have not questioned the "operating and maintenance costs" which are also associated with the Clean Water Act. That in itself displays a willingness to keep our environment clean and our waters free from pollution.

In our community, textile manufacturers have to be concerned with other costs: The costs of energy, oil embargoes, higher taxes and foreign competition.

The competition in the textile industry is far more reaching than other targetted areas studied as meats, dairies, canners, pulp, platers and food processing.

Foreign competition in the textile industry would make the Federal Government's payment to these industries through the Trade Adjustment Act alone more expensive than the revenue produced through implementation of Industrial Cost Recovery.

Therefore, implementation of ICR would appear to create revenue for the Environmental Protection Agency, but an expense for the U. S. Department of Commerce.

I have neither the resources nor the manpower to substantiate that statement with actual dollar figures.

The companies most drastically affected by Industrial Cost Recovery in Fall River, Mass. now employ approximately 3,200 people in manufacturing jobs.

Implementation of Industrial Cost Recovery will have an adverse impact upon Fall River, Massachusetts, whether it be in stagnation of our die and finishing industry to the point where those firms are unable to reach normal growth projections or whether that work force is reduced in substantial numbers.

I cannot honestly or realistically predict that the entire industry will terminate. But I can predict that phase-out operations will begin; work orders will shift to newer sister plants in other parts of this country, and outside of this country.

Using the accepted national formula that two and a half supportive jobs are created for each manufacturing job in this nation, I can predict that a minimum of 10 percent or 320 persons in manufacturing jobs will be out of work in my city because of Industrial Cost Recovery.

And because of that loss, 800 persons now employed in the service sector will join the unemployed ranks, which means 1,120 persons will have to be subsidized through one means or another, providing those people with just enough money to live on for three weeks alone will cost more than the total annual bill of $134,000, which will be assessed for Industrial Cost Recovery within the City of Fall River, Massachusetts.

Quite frankly, I cannot see how cities, towns or states can afford implementation of Industrial Cost Recovery.

It is the concensus of many more than the majority that implementation of Industrial Cost Recovery will have a severe adverse effect upon the economic climate of Fall River, Massachusetts.

May we strongly urge the Environmental Protection Agency to recommend abolishment of Industrial Cost Recovery to the Congress of the United States.

Thank you very much.

MR. GALL: Thank you, Mr. Darmody.

At this time we'll have a presentation from Patrick Harrington, who is the Bristol County Commissioner and who represents United Merchants of the City of Fall River.

Mr. Harrington.

STATEMENT OF
PATRICK H. HARRINGTON
BRISTOL COUNTY COMMISSIONER, FOR UNITED MERCHANTS OF FALL RIVER

MR. HARRINGTON: Thank you, Mr. Chairman.

This is going to sound like a Fall River symposium. However, I think the circumstances that we find ourselves in are probably similar to what many other people in this room find themselves in with respect to the ICR portion of the Clean Water Act.

I couldn't help but observe here that when the preceding speaker, Mr. Darmody, was about 12 years old I was Chairman of the Fall River Industrial Commission, which shows that when you set a shop up right it continues to roll right along, very nice and neat.

I endorse what the Mayor has said and what George has said.

They of course have given you the broad-brush treatment of the situation and, just in passing, I would like to broad-brush the situation by saying that the County Commissioners of Bristol County are seconding the City Council's resolutions in this matter for Fall River. Of course, it opposed the Industrial Cost Recovery program because of the disadvantage it places the industries of Bristol County in.

Two larger cities, of course -- the three cities being involved Fall River, Taunton and New Bedford, as well as Attleboro -- four cities -- I would like to say, just by way of specifics, that I'm here representing United Merchants, which is the second largest manufacturer employer in Fall River, employing something over a thousand people.

You must remember, and I think this is one of the things that hasn't really been alluded to in the morning program, that United Merchants, like many of the other industries in Fall River, is part of a large conglomerate -- in the case of United Merchants, an international conglomerate.

The headquarters of that conglomerate, of course, is not in Fall River. That conglomerate, too, has just recently come out of a Chapter XI arrangement in bankruptcy and the added costs of the ICR -- that the ICR places upon an industry like what we have in Fall River, largely in the textile department, is such that those people and those accountants reviewing the bottom-line figures in some place other than Fall River are quite likely to come to decisions that have absolutely no reference to clean air or clean water or anything else. I think we have to remember that many of us in cities like Fall River, many manufacturing industries are in a situation where the accounting department far removed from the city is going to make the decisions.

If we value our local labor force, if we value our local industrial climate and our local industrial potential, we have to think about that.

And so I said, in a marginal type industry where they're operating on something like a 2 percent profit margin, you've got to consider that even 70, 50, 60, 70 or $100,000 a year on top of the taxes which may have buried themselves all about that we've had to impose along with many other cities throughout the Commonwealth of Massachusetts and elsewhere, that when you add this tax, and it is a tax, to the other taxes, you run into a situation which may not be credible where the decisions are being made.

I think that's a point that we've got to consider. We have to consider very carefully in a place like Fall River.

I'm just going to mention one other thing and then I'll quit.

In analyzing and thinking about this whole situation which led to the ICR, very little has been said about the philosophy behind the Act, that is making the industries pay for their percentage of what they put into the wastewater system or sewer system or whatever you want to call it, and I began thinking about that.

I run a law office and I probably generate maybe a couple of bags of paperwork, you know, through the shredder, every week and they go out on the front stoop of the building; and the restaurant down the street -- it's not down the street anymore -- used to have something like 40 bags of refuse and garbage and stuff out there. It never occurred to me to think, as a citizen, that that guy ought to be paying, you know, twenty times what I'm paying in terms of taxes to support the refuse workers.

And as I began to think about that, if the ICR theory is philosophically applicable, there are lots of other areas where I'm being done in and I think we ought to take a look at them.

Even the Post Office -- now I get the usual amount of mail, I have a small post office box, maybe I get 30 letters a day -- 50 percent of them junk mail and no checks for bills I've sent out -- but in any event the guys on either side of me have big boxes and they get all sorts of mail. In fact they have to have one of those plastic bags to carry it back to the factory, you know, or wherever they're going, or maybe the Chamber of Commerce or probably the Industrial Commission with all their people looking for new industries and the like. So I began to say to myself "Well, what the hell," I know they've got all sorts of guys running around back there sorting out that mail so it's got to cost, you know, 10 times as much as my mail to sort those fellows' mail -- so if ICR is valid, why shouldn't we have the guys that get more mail pay more for the postal office service.

Frankly, I haven't come to any conclusions on that, but when we finally go back to the drawing boards with Congress, it seems to me that in addition to the practical things that I tried to address myself to and that I'm sure everybody else is going to address themselves to in terms of where the industries stand - these are the other industries - those are in the south, you know, and all the rest of it, the urban areas versus newer areas where they don't -- they've got a brand new sewage treatment plant with plenty of capacity and don't have to worry about it -- those are all practical applications of the problem.

But maybe what we better do is go back and let's challenge the philosophy, because if the philosophy of the ICR is right, then that philosophy is equally applicable to 20 or 30 other government services that we're all paying equal amounts for and frankly, I never thought of that until I got involved here with ICR.

But maybe we ought to go back and sell the Congress on the idea that if you're going to start going that way, unless you -- if you're going to depart from the theory that a rising tide lifts all boats and you're going to try to specify how much money goes into every specific function and make somebody pay for it, then there's all sorts of, you know, applications of theory and maybe that might be more effective than our tales which are going to be recorded in the record here about what happens to individual industries.

Thank you.

(Applause.)

MR. GALL: Thank you, Mr. Harrington. Based on your eloquence and your expertise, I refuse to believe you have a small mail box.

(Laughter.)

At this time I would like to hear from Mr. John Walker. Is Mr. Walker here?

Mr. Walker is the Research Director for the Chamber of Commerce of the Greater Portland, Maine Region.

For all of you who think the Fall River show is over, it's not. We have several more speakers.

Mr. Walker.

STATEMENT OF

JOHN E. WALKER, DIRECTOR OF RESEARCH & DEVELOPMENT

CHAMBER OF COMMERCE, GREATER PORTLAND, MAINE REGION

MR. WALKER: Thank you. I think Mr. Harrington must have known I was going to talk some philosophy here.

My name is John E. Walker. I am the Director of Research and Development for the Chamber of Commerce of the Greater Portland Region and I'm also Staff Director of the South Portland Chamber, which is a division of our organization. Our offices are located at 142 Free Street in Portland, Maine.

It is our position that the Industrial Cost Recovery charges should not be instituted after the moratorium period has ended. We feel that ICR charges are a discriminatory tax and, if enacted, would contribute to the excessive economic burden being placed on ICR industries because of user charge assessments.

The reasons for this posion are many and derive from philosophical differences we have with the legislation and from our concern for the economic difficulties many of our industries served by treatment plants are experiencing.

Regarding our philosophical concerns, we view it as unjust to require industry to repay their share of capital costs if served by a Federally-supported treatment plant. The idea fails several tests of equity.

First, as a society, we supported this massive investment to obtain a public good -- clean rivers, lakes and beaches through treatment of our wastes. Industry is a vital sector of our society, their tax dollars helped fund these plants, and they will be encumbered like all taxpayers with annual sewer assessments for operation of these plants. They should not be asked to pay an unfair share.

Though ICR legislation had an intent to eliminate a competitive disadvantage to industries which could not tie into municipal treatment plants, it is becoming clear, at least in our region, that this competitive disadvantage is illusionary. In fact, as construction costs of municipal plants increase sharply and user charges escalate with the whims of inflation, the economies of scale will provide the advantage to industries which can self-treat.

The only competitive disadvantages we can identify are those to be created by the Federal Government with the passage of ICR charges. In two ways, ICR charges will discriminate among industries:

First, the criteria for determining ICR-eligible industries are crude measures resulting in nonsensical classification.

Two examples: We have nine banking institutions in the Greater Portland Area. One faces ICR charges because of its air-condition system. Also, two firms were chosen because they hose down machines with pure water. Yet, commercial laundromats which send pounds of detergent into the sewer a day escape ICR assessments. There is an arbitrariness in the classification system which is grossly unfair.

Discrimination also results from the fact that ICR will not be instituted for plants funded with grants prior to 1972. Here the EPA is creating a competitive disadvantage for industries located in municipalities receiving constructio grants after 1972.

This advantage will gain new dimensions in the next few years. With inflation so virulent and ICR charges a direct coefficient of a plant's capital costs, like industries will face exceptionally unequal ICR assessments, varying according to the date of the plant's construction. Inflation, the size of plants, the ICR exemption of plants funded prior to 1972, combine to create competitive disadvantages to industries residing in various communities, and disadvantage municipalities within the same geographic region as they attempt to attract new "wet" industries to their area.

Both types of disadvantages are evident in Maine, where four industrial communities within 150 miles of each other have significantly different rates or projected rates for treating sewage and, therefore, varying ICR rates should be approved. The discrepancies can be shown by quoting just their rates for water flow.

Lewiston, Maine, a municipality benefiting from the 1972 exemption and lower construction costs charge 48 cents per 100 cubic feet.

Portland, a post-1972 facility which required a large plant and incurred higher construction costs will charge $1.12 per 100 cubic feet.

And Bangor, which has only primary treatment facilities at present, has a declining block rate with the larger users being charged from 27 to 33 cents per 100 cubic feet. Yet, when Bangor's secondary system is completed, 1980 prices will be in effect, and their rates are expected to be the highest in the state.

As you can see, disadvantages abound.

Industrial Cost Recovery is a very poor mechanism to correct the supposed disadvantages of industries which self-treat their wastes for ICR and will only propagate more disadvantages and will eliminate none.

Our concern on this issue does not stem solely from our philosophic considerations, but more from our recent experience of assisting over 50 industries in the cities of Portland and South Portland as they prepared to tie into a treatment plant.

If the EPA would carefully study what is happening in these two communities, you would notice some problematic results of our national decision to treat our wastes. Both cities, despite a combined population of less than 100,000 people, have their own Federally-funded multi-million dollar treatment plant. Both cities have strived hard to educate their major users in how to reduce their use of the sewer system by altering industrial processes. Despite this activity, both cities have the same problem.

The plant managers of the resident industries are concerned, questioning the future of their operations in the Greater Portland Area. The reason is that the sewer user charges and the proposition of annual increases of these assessments, hit their financial planning like a hammer blow. Several firms face annual user charges exceeding $50,000.

These charges are so great and the effect on their operations so grievous that this has become an onerous cost of operation.

The most serious adjustment is to be made at the small local plants which do not readily have the capital to invest in water conservation or pretreatment systems, or have the profitability to simply absorb this new cost. Instead, they consider reducing their operating hours which would displace labor, delaying expansion plants until they analyze the long-term implications of sewer costs on their operation, which delays new investment in our community; or they consider locking the doors, which portends economic disruption in our region.

It is important to point out that the theory of ICR charges may have been conceived with the subconscious idea of having "big business" pay its own way. Our experience in Maine finds it is small business which is most liable to ICR assessments.

The ICR industries most prevalent in our region are not listed in the Fortune 500, but they are extremely important to our economy.

They are meatpackers, fish processors, food processors, canneries, bottling plants, dairies, among others. All have specialized processes and serve a narrowly defined geographic market. They are economically sound but have a low profit margin.

These industries are often locally controlled and have operated for decades in our community. Considered good neighbors, they have generated considerable tax revenues over the years. They are very labor intensive providing hundreds of stable jobs for our residents.

Rather than move, they cope with less modern plant facilities because of their long history of successful operation in the Greater Portland Area.

These are the industries which will face ICR charges if you decide to institute them. It is these industries which have experienced hardship with sewer user charges. Married to their processes, they cannot escape the often severe financial burden of treating their sewage.

If ICR charges are not discarded because of their lack of philosophical integrity, I hope the EPA considers the decision in light of the difficulties these industries face. In your deliberations you must realize that the sewer user assessments alone have placed severe economic strictures on certain segments of industry. Though ICR charges are small relative to user charges, they are significant enough to exacerbate an already difficult situation for many businesses, such as the small, local firms which exist in the Greater Portland community.

We, therefore, urge you to rescind the Industrial Cost Recovery legislation because it is potentially disruptive to certain segments of our economy and for reasons of equity. Thank you.

MR. GALL: Thank you, Mr. Walker.

Our next speaker at this time is Mr. Makram Megalli, who is the Public Works Director for the City of Woonsocket, Rhode Island.

Mr. Megalli.

STATEMENT OF

MAKRAM H. MEGALLI

DIRECTOR OF PUBLIC WORKS, CITY OF WOONSOCKET, R.I.

MR. MEGALLI: Good afternoon. My name is Makram Megalli. I'm the Director of Public Works for the City of Woonsocket, Rhode Island.

Woonsocket is a typical New England textile community.

The next statement by Mr. Hedley Patterson, the Division Engineer of the Department of Public Works, will shed more light on the characteristics and economic biography.

On behalf of the City of Woonsocket, I would like to take this opportunity to thank the EPA and the Coopers & Lybrand officials for arranging this session. I would like to thank Mr. Gall, Mr. Flax and Senator Chaffee's staff for their visit and interest in our city during the ICR Study, and hope that the information supplied to them was helpful.

His Honor Mayor Bouley has asked me to carry his brief objective message to all of you.

The city is totally opposed to the ICR system. The implementation of this system could strip our city's industries, jeopardize opportunities of employment, increase our taxes, and curtail our effort of accomplishments.

My objective this afternoon is to comment on the advancè information pertaining to the ICR Study, and explain why the City of Woonsocket is strongly objecting to the implementation of the ICR system.

Rather than making scattered comments, I shall try to follow the order of advanced information summarizing the results of the ICR system Study. I had prepared the statement before examining the alternatives offered or comments, this morning.

The tabulation and findings of the study seem to be very thorough, yet they do not distinguish or recognize the local conditions of different communities.

The big cities and the small cities are being analyzed likewise in this Study, yet the Federal Government recognizes the need of different programs designed specifically for small cities and towns to help us in our economic growth.

It is our opinion that the Study if not categorized, may and will lead to a great many problems and hardship for more than are being considered in the Study.

The City has a regional wastewater treatment plant which is designed to serve another three surrounding communities: The Town of North Smithfield, Rhode Island; the Town of Blackstone, and the Town of Bellingham, both in Massachusetts. The design capacity of the plant is 16 million gallons a day average flow.

With this beif background, we offer the following comments on the Study in relation to our communities.

Equity: Findings of the Study "enhanced the economics of self-treatment."

The facts are, capital funds have already been spent, and eliminating any industry will mean wasting that portion of funds. It will also mean shifting of more user charges to other classes of users. It will present more burden on industry for cost of self-treatment at the time other grants are designed to help the growth of industry in our community.

Water conservation: Findings of the Study: "Because ICR is generally small compared to other costs, the effect is expected to be minimal."

The cost of user charge alone in our community was sufficient to reduce the water consumption, as will be testified by the next speaker, Mr. Patterson.

Jobs: Findings of the Study show ICR was a factor in impacting few jobs.

Let me tell you, ICR will have an irreversible impact on our area and cripple our continued progress, and will set us back by decades.

We are grateful to the moritorium on ICR which enabled us to waive the implementation of ICR on its first year, fiscal year '77-'78, when it was due. We saw the crush of user charge, and we would hate to see the impact of both user charge and ICR combined.

ICR revenues: Findings of the Study: "will average about $100,000 in collections, with administrative costs generally less than $20,000 per year."

It is very interesting to take a close look at the figures and what they mean.

Forty percent or $40,000 for local share for capital costs related to wastewater and to offset ICR administrative costs, that's what this 40 percent will be used for. This figure of $40,000 will remain constant if no other factors are encountered and industry stays healthy despite the detrimental effect of ICR.

The administrative costs of $20,000 will not remain constant. These costs mainly consist of salaries and wages. It is therefore a fact that this $20,000 will progressively grow higher and higher every year as inflation takes its bite into it, and before we know it, it will be $40,000, $50,000, and on.

However, from the time the two costs equalize and for the remainder of the 30 years, communities will continue to spend greater amounts. Ladies and gentlemen, this is not counting the administrative cost of the Federal Government.

We have reviewed the above phenomena prior to findings of this Study. We used much more conservative figures for adminstrative costs and applied more realistic figures for ICR revenues in our community, and the results were the same. This Study is included here for reference and marked as Appendix A.

As the Study progresses, we find it more interesting and supportive of our objection to ICR charges. The questions raised by Congressman Roberts are very thorough and express a great concern on exploring all facets of the controversial ICR System.

We will attempt to touch on some of the observations to some of those questions.

First question: Whether ICR discriminates, "Do small town businesses pay more..." "What the combined impact..."

The question hits the bull's-eye.

It is by admission of the Study: "Some industries (especially heavy water users) pay proportionately more..."

"ICR rates appear to be higher in small treatment plants (less than 50 million gallons per day..."

The facts of the matter are as follows:

The major industry to be affected by ICR in Woonsocket is the heavy water textile user.

The plant in Woonsocket is 16 million gallons per day, which is much smaller than 50 million gallons per day distinguished by the Study. The cost ratio of ICR to user charge is at least 30 percent for the first year of implementation to each industrial user.

It is evident that the impact of ICR is much, much greater for a typical community of our size and structure, and it could lead to impending economical disaster.

Second question: Whether a mechanism should be provided whereby a community may lower its user charge and ICR charges...

The observation was that a source of funding would have to be identified.

It is our opinion that you have this mechanism easily available and much less administratively expensive. Just eliminate the provisions of ICR from P.L. 92-500. This will offer an immediate relief of about 25 percent of the combined User Charge and ICR charges. This will also save the cost of administering the ICR program and the administration of a new program to offer relief from the impact of both User Charge and ICR.

Ninth question: "Whether small industries should be exempted from ICR?" "How should small industries be defined?"

EPA has already exempted users discharging less than 25,000 gallons per day from ICR, rather than the SIC definition. The 25,000 gallon per day definition creates some confusion because it widened the base for users falling under ICR system such as hospitals and other non-industrial users.

Regardless of the discrepancy in the 25,000 gallon per day definition, it does not help our community by a great deal.

To summarize our review, we conclude the following:

Grant is already earmarked and spent for constructicn to solve the water pollution problems and that's a goal achieved.

Our community had hoped that such facility would attract more industry and optimize the utilization of different programs to lead to economic prosperity and boost our continued effort of progress. If implemented, ICR would have the opposite effect.

On its own merits, the cost ratio between administrative costs and ICR expected revenues do not justify this ICR program.

Speaking only for our city and communities with similarities, it is our opinion that the users served by a plant of design capacity smaller than 32-50 million gallons per day should be exempted completely from ICR system.

We would like, however, to make our position very clear.

We are not implicating that industries served by larger plants should not be exempted also. We are speaking for our community only and have not examined the effects on other communities' economics.

We work very closely with our people, and believe me, we didn't have to go through this brief review to make our conclusion. We could have told you a long time ago before the Study that it would be a disaster.

The previous city administration in 1974, then represented by His Honor Mayor John Cummings, made a presentation before Senate Public Works Committee on Tuesday, June 18, 1974, and he had the same conclusions that ICR will be detrimental to our industry and economy.

The City of Woonsocket has a young and optimistic spirit -- and we trust that our Federal Government and Administration will join us in a partnership for progress and achievements we will be proud to present to our future generations.

At this time I would like to add an additional short statement. I came here today, hoping to convince our Government's representatives of our views, but I found that they are already convinced and in agreement with us.

If this is the case, who is it we have to convince?

I would like to recommend at this time, also, Alternative Number 1 and Alternative Number 10.

I want to thank you for your attention.

Thank you.

MR. GALL: Thank you, Mr. Megalli.

At this time, we would like to hear from Hedley

Patterson, of the Division of Engineers to the Public Works Department for the City of Woonsocket.

STATEMENT OF

HEDLEY PATTERSON

DIVISION ENGINEER, CITY OF WOONSOCKET, R. I.

MR. PATTERSON: Good afternoon.

My name is Hedley Patterson. I am Division Engineer for the City of Woonsocket, Rhode Island -- a community of 47,000 abutting the Massachusetts state line in the northeast corner of our state. My capacity with the City involves me closely with all phases of the Industrial Cost Recovery charge and with all the industries affected.

Before stating Woonsocket's objections to the ICR charge and citing its unfavorable effects, let me, on behalf of my City, thank Mr. Gall and the EPA, Mr. Flax of Coopers & Lybrand, and all of you here today for making this hearing possible. Your courtesy is appreciated.

Woonsocket is now, as it has been for a hundred years, an industrial community. Textiles have been its life's blood. The Blackstone River, which splits the city in two furnishes an inexpensive and never-ending source of power and process water.

Starting after World War II and continuing through the 1950's and 1960's, a mass exodus of this industry for greener pastures in the South and inevitable closings and shutdowns reduced us to a point where we all but had to start over again. Woonsocket has been able to replace only a small part of this loss with new business. Our unemployment rate is high, even by Rhode Island standards. We are a depressed area, and neither need nor want another depressant.

Textiles may not be one of the industries that you have been specifically directed to study. It is, however, still "our industry" more than any other; therefore and logically, I must speak with it as a background.

Under the standard industrial classification, or on the SIC-method of identifying industry, Woonsocket has approximately 75 industrial concerns of all types, a figure unfortunately subject to change without notice. Of these, 29, or 40 percent, are textile or textile related. The total employment of our 75 industrial concerns is 6,200 or a bit more. Of this amount, 2,300 or about 35 percent, are employed in textile concerns.

The real importance of the textile industry in this ICR matter is that the 11 largest textile firms, in terms of water usage, will pay 85 percent of the entire ICR charge for the city.

This percentage figure would be higher, at least initially, if the alternate criteria of 25,000 gallons of water per day were used to identify who must pay ICR. Under this definition, the original list of 75 is reduced to 14, of which 11 are textile. Added to this short list would be five non-SIC organizations, namely two hospitals, two nursing homes and one subsidized housing complex. Either way, Industrial Cost Recovery effects too many people unfavorably.

To say that the Industrial Cost Recovery charge has not been embraced by industry is definitely understatement. Industry's basic reaction has been and continues to be, "Why us? What did we do to deserve this?" Thirty years ago the Marshall Plan bailed out the shattered world, of friend and foe alike, with millions of dollars for new plants, new equipment -- a brand new start. By-and-large, Woonsocket's plants are old, pre-World War One, and laid out to the material handling tenets of that era. Even with new equipment their efficiency now is well below that of modern domestic and foreign plants. Our industry would accept that sewerage charges is something that everyone must pay in order to keep the wastewater plant operating and pre-treatment defined in our EPA approved ordinance as necessary to keep the material treated within treatable limits, but the Industrial Cost Recovery is too much at dead weight for so marginal an industry as textiles to carry on top of everything else. It's like kicking us when we're down.

It does not seem right to saddle our ailing community with this reverse subsidy. Our turn-of-the-century plants huddle close to the Blackstone River with the city pressing close around them. Limiting room for expansion, limiting opportunity for them to treat their own sewage.

Isn't it enough that we are taking industry's waste from the river, after so long a period, treating it at their expense, and returning it to nature in a form acceptable to both man and nature -- if we are to believe man? The potential damage to Woonsocket for taking this extra pound of flesh could be irreparable. Please let me explain.

Mr. Flax came to Woonsocket twice, so that he could see the whole picture. One happening from each meeting is typical of the conditions that prevail.

One owner of a small, 40-employee textile plant -- still one of the 11 largest users of water and a man I've known personally for my 14 years with city -- stated that he had had offers to leave Woonsocket and set up shop elsewhere. These were lucrative offers, that he had so far rejected.

He would, he stated publicly, now listen to future blandishments with a more selfish ear before allowing area loyalty to sway him. Further, that if he remains, he will think even longer before he expands within the city.

With him, if he goes, go one good taxpayer, 40 desirable jobs, and a worthwhile annual sale to the Water Department. Failure to expand would stifle the tax and job base and limit water sales -- of which we have an ample supply. None of these eventualities would benefit the city. And remember, industry has left us before, in quantity.

Let me digress one moment. Woonsocket is blessed in one sense. It does have more than enough water to go around, unlike less fortunate sections of our country. In fact, we will have to sell one and a half million more gallons a day than we do now, just to get sales back where it was 15 years or 20 years ago when textiles were really big business.

At the other meeting, Mr. Flax heard the Vice President of our largest water discharger who, incidentally, took 90 percent of his water directly from the Blackstone River, state publicly what he had stated to us in private. He wouldn't leave. He didn't have to move out. He could and would, at his own expense, install equipment to recycle water and cut his discharge by

75 percent. Few in the textile industry could do this type of work, would not allow it.

This, when added to the lessening of water usage by industry, in general, could push down the Industrial Cost Recovery revenue, to a point where, over 30 years ever-increasing administrative costs would out-total static revenue. This also will affect the homeowners' sewer-use charge adversely.

In the 1976-1977 fiscal year the indicated Industrial Cost Recovery cost for Woonsocket was $60,000. In the 1977-1978 fiscal year the actual cost of ICR was $42,000.

In short, industry is already doing three things: One, taking less water; discharging as small a percentage as possible, which trend will continue; and seeking greener pastures which promise considerations to help insulate them against the realities of business life, at least for a few golden years.

Woonsocket's only benefit from all of this is higher water rates, higher sewer-use charge and higher taxes, and, on top of this, you still propose to add the Industrial Cost Recovery.

And as if this prospect weren't bad enough, remember that using the alternate method would involve hospital, nursing home and subsidized housing costs. Inflation is enough of an upward cost thrust here without adding to it.

In closing, gentlemen, I ask you to remember that Woonsocket too is a poor community trying, with Government help, to upgrade itself. And we have made progress. I invite everybody within the sound of my voice to come down and see. I'll be glad to show you what we've accomplished. I'll be proud to show you around.

But we want to keep our industry healthy and add to it, to create more jobs to stop the outflow of our young people. In this the Industrial Cost Recovery is working against us. In the long run, ICR will hurt those who our Government is trying hardest to help.

Please, don't drop this 30-year itch on us. We've already started over from scratch once in this generation.

Thank you.

MR. GALL: Thank you, Mr. Patterson.

There are a few points I'd like to clear up in case there's any mass of confusion going on here.

First of all, Paul Flax works for Coopers & Lybrand and has acted as a data collector in a series of cities in this region so any references you may have heard are to a Coopers & Lybrand employee.

The other point is that in terms of the definition of industry that the Agency now utilizes -- most recently, in fact on September 27th or 28th, we did publish a new definition of industry, and if you are at all familiar with what we had originally promulgated in April that, in essence, has all been thrown out the window and we have reverted back to the definition of February 11, 1974 where industries are defined according to the SIC categories A, B, D, E and I, and at that point you can identify a 25,000 gallon per day exemption to the user within that division.

I would sense that some people may think that sanity had prevailed to a small degree at least down in the Agency.

At this time I would like to call on David Phillips. Mr. Phillips is Executive Director of the South Essex Sewerage District here in Massachusetts.

STATEMENT OF

DAVID L. PHILLIPS

EXECUTIVE DIRECTOR, SOUTH ESSEX SEWERAGE DISTRICT

MR. PHILLIPS: Thank you, John.

As a matter of introduction, my name is David L. Phillips. I am the Executive Director of the South Essex Sewerage District located approximately 15 miles north of Boston on the North Shore and servicing approximately

260,000 people.

Our district and primary treatment facilities are capable of handling an average combined industrial and domestic flow of 41 million gallons per day with peak loads of 96 million gallons per day, making us one of the largest treatment agencies in the Commonwealth.

This afternoon my comments will be brief. They'll be on one particular aspect and that particular concern to us is the apparent discrimination that exists between the Industrial Cost Recovery guidelines, as per the statute of Public Law 95-217 amending Public Law 92-500, versus conditions that exist under the so-called old rules or equitable cost recovery under the previous Public Law 84-660.

We have approximately 90 major industries within the South Essex Sewerage District whose equitable cost recovery payments are that proportionate share of capitalization which under Public Law 84-660 came out of the local 10 percent share. Therefore, these industries will not be offered the same kind of provisions as those that fall under the new ICR guidelines along with the 25,000 gallons per day exemption. To illustrate my point, I submit the following:

Because the South Essex Sewerage District, back in the late 'Sixties and early 'Seventies acted in good faith to meet the requirements of both state and Federal laws regarding clean-up of pollution, the industries within that district became subject to the equitable cost recovery under Public Law 84-660. On the other thand, there are communities within the Commonwealth who did not move forward as quickly and judiciously as did South Essex.

Because of that we now have a situation where one industry that generates 20,000 gallons per day sewerage in the South Essex District will be penalized a capitalization charge, while the same industry in a nearby community which falls under the ICR provisions of Public Law 92-500 and now 95-217 will pay no capitalization based on that same exemption.

Unfortunately, throughout the formation of Public Law 95-217 from Senate Bill 1952, which was brought forth in July of '77 and eventually combined with the House version, we have always been led to believe that this exemption would cover, not only work covered under the new laws and going back to Public Law 92-500, but would also reach back to cover Public Law 84-660 as well. Apparently, this is not the case.

Therefore, my question at this hearing today is: What answer can we give our member communities in terms of which avenue of appeal they must direct themselves to at this time?

As a matter of comment this afternoon, I would also like to point out that we have taken an active interest and participated in the Coopers & Lybrand Study on Industrial Cost Recovery as it pertains to 95-217. In regard to that we have been encouraged by the work put forward by EPA in an effort to make this provision of the new law more easily understood and better managed by POTW's.

In conclusion today, I ask again what method of appeal we can advise our cities and towns to utilize at this point; and again reiterate our continued interest and spirit of cooperation to work with you in resolving this matter.

Thank you.

MR. GALL: Thank you, Mr. Phillips.

As we go along, our presenters have been raising several issues -- several comments -- which we would like to defer addressing until the end of the prepared statements, to ensure that we can get everybody on the record.

At this time I would like to call up Mr. William Torpey. Mr. Torpey is the President of the Greater Fall River Chamber of Commerce.

STATEMENT OF

WILLIAM TORPEY

PRESIDENT, GREATER FALL RIVER CHAMBER OF COMMERCE

MR. TORPEY: My name is William J. Torpey. I am President of the Greater FallRiver Area Chamber of Commerce.

I first want to thank the Committee for this opportunity to represent the nearly 1,000 members of our business and professional organization in presenting a very brief but very positive position on the matter of total elimination of the Industrial Cost Recovery portion of the 1977 Clean Water Act.

As you all must realize by now, the city of Fall River has an outstanding history of service to this country as a world-famous cotton manufacturing community.

The peak of this industrial achievement came a lifetime ago at the turn of the 20th Century and has suffered steadily a declining economy until financial and social disaster struck during the depression era of the 'Thirties.

For the past 40 years the people of Fall River have struggled to overcome many problems, not the least of which included restoring its own dignity and pride, its own self-confidence and identity. And this war against apathy and self-condemnation has been waged with a mixture of successes and failures by every segment of the Fall River leadership, including the political, the Church, the industrial and labor, until right now, today, those efforts are being realized.

The determination of Fall River citizens to work together for better neighborhoods, for a better city -- has finally happened.

The new multi-million dollar highschool, the government center, the bicentennial waterfront park, a flurry of new construction by banking institutions, housing for the elderly and commercial, industrial new-plant sites.

The birth of a new industry called "tourism," unknown 14 years ago in Fall River, has flourished and grown with the development of the battleship "Massachusetts," the Marine Museum, the destroyer "Joseph E. Kennedy,", the submarine "Flying Fish," and National P-T Boat Associations. These attract over 200,000 visitors each year to the city and some $4 to $5 million in new money pumped into our economy. We see the ground-breaking for a new revitalized central business district. Many, many more positive and progressive things are happening in Fall River and we cannot afford a step backwards.

Fall River's people, in fact, will not sit back and watch this happen.

Without specific details, which have already been presented to you in testimony, and many more to come, the unqualified position of the Chamber of Commerce is that we totally reject the imposition of the ICR proposals by the Federal Government.

With a current 6.8 percent unemployment factor in Fall River which affects some 3,550 people, such unfounded charges against our major employers will spell disaster for our economy.

On August 21st of this year, representatives of EPA and the consulting firm of Coopers & Lybrand heard the textile industry leaders in Fall River, their Union leadership, supporting industries, and city, state and Federal representatives who were led by Congresswoman Margaret Heckler, who we heard hear this morning, clearly describe the effects of enforcing ICR --- loss of jobs, payroll income losses, possible plant closings. This cannot be the Federal Government's goal.

Every possible effort to adhere to anti-pollution standards have and will continue to be met by these our industries, and these -- they've certainly been very expensive, to say the least.

Gentlemen, as spokesman for the Falls River Area Chamber of Commerce I urge you to consider the total abolition of the ICR portion of the law.

As Mrs. Heckler stated so forcibly stated earlier today, I see where it will improve the clarity of our waterways, but it will have a devastating effect on the economic futute of our city.

Again, we urge you to recommend adoption of Alternative Number 1, the abolition of ICR in any form, and subsequently that EPA will recommend total abolition of such recovery by the Congress.

Thank you very much for this opportunity.

MR. GALL: Thank you, Mr. Torpey.

We're running slightly ahead of schedule.

Is Mr. Philip Murray ready?

Mr. Murray is representing the Industrial Wastewater Survey Committee of the New Bedford Chamber of Commerce.

STATEMENT OF

PHILIP MURRAY, representing

THE INDUSTRIAL WASTEWATER SURVEY COMM., NEW BEDFORD C.C.

MR. MURRAY: Thank you. My name is Philip Murray, Vice President and General Manager of Cornell-Dubilier Electronics Corporation, New Bedford, Mass. I am representing the Industrial Wastewater Survey Committee of the New Bedford Area Chamber of Commerce and the City of New Bedford.

The Industrial Wastewater Survey Committee, comprised of leaders of major industries in the New Bedford area, working through the New Bedford Area Chamber of Commerce, have compiled statistics based on User Charge and Industrial Cost Recovery systems, these cost projections relating directly to the cost of doing business in the area and projecting those costs into New Bedford's industrial and financial future and there is an accompanying chart with the data.

The Committee's User Charge and Industrial Cost Recovery projections are based on a wastewater survey conducted in New Bedford and published in December 1974 by Camp Dresser McKee, Inc., with updates mandated by the Federal Water Pollution Act of 1972, Public Law 92-500, and the Clean Water Act of 1977, Public Law 95-217.

In substance, these Acts mandate recovery of municipal cost of construction, operation and maintenance of the sewer systems to be borne proportionately by users according to the wastewater contribution by each user.

We submit that the substantial impact of Industrial Cost Recovery on an already overburdened industrial community, further compounded by the certain eventuality of pretreatment of effluent prior to discharge to publicly-owned treatment works will mean the end of operations for some firms, a debilitating reluctance to locate new industry or expand existing operations in the New Bedford area and constitute a considerable incentive to relocate altogether by other companies.

With the preceding dismal prospects in view, the cost effectiveness of ICR returns will less than account for offsetting expense in the broad spectrum of unemployment benefits, medical costs and welfare payments.

The spectre of Federally mandated over-sized publicly-owned treatment works dotting the landscape, having no broad base of support, is sobering at first glance -- catastrophic in the final analysis. Federally subsidized wastewater treatment plants built prior to 1972 and not subject to cost recovery charges are common in other parts of the country that clearly demonstrates a cost situation burdensome to New England industries.

The prospects for industry are clearly defined in the enclosed estimate of cost impact on 31 major New Bedford industries.

We submit that if Industrial Cost Recovery charges are not abolished, the industrial growth trends in the New Bedford area will be adversely impacted. Our city cannot solely rely on tourism or service business as the primary sources of revenue.

Because of the excessive cost projections of New Bedford industries as cited in the accompanying data and we are positive exist in other New England cities with older industrial plants, we strongly urge the elimination of the Industrial Cost Recovery charge.

The New Bedford Area Chamber of Commerce and the City of New Bedford are constantly seeking expansion of existing industry and location of new industries. Higher operational cost factors in our region such as energy, transportation and taxes make this effort difficult and the Industrial Cost Recovery charges would be an overwhelming burden to industry.

Thank you for your consideration.

MR. GALL:Thank you, Mr. Murray.

At this time I would like to call on Mr. Ralph Guerriero. Mr. Guerriero is the Co-Chairman of the Fall River Textile Processors Waste Water Treatment Committee.

STATEMENT OF

RALPH GUERRIERO, CO-CHAIRMAN

FALL RIVER TEXTILE PROCESSORS WASTE WATER TREATMENT COMM.

MR. GUERRIERO: Thank you, Mr. Gall and members of the Committee.

My name is Ralph Guerriero. I am the Co-Chairman of the Fall River Textile Processors Waste Water Treatment Committee. Our group came together in a common cause -- survival. For we are an endangered species.

Political leaders today need more help than ever before. Some of them know it and others need to be persuaded. Most of them are faced with enormously complicated problems way beyond anything for which they were prepared by prior experience.

Our Committee -- Our group has pledged to help. Everyone is in favor of clean water. We join with other citizens who see the need to preserve our natural resources for future generations.

Our Committee was instrumental in Fall River in creating a sewer commission which led the say for the City Council to approve the bond issue that got the treatment plant started with to begin with.

Textile processors will be asked to pay 57 percent of the total annual charge for the wastewater treatment facility. For any industry that historically works on low margins, we will not be able to be competitive with the South or foreign imports who already have far too great an edge over the finishing plants in our area. This could be the straw that breaks our back.

If existing industries are burdened with costs of constructing wastewater treatment facilities, many will literally go down the drain.

The textile dyeing and finishing industry in Fall River provides jobs namely for males, the breadwinners of the family. In Fall River we have a very large needletrade industry. Many women are employed. There are not very many jobs for men.

We are in favor of a user charge according to the amount and relative harmfulness of the discharge. This is our incentive to reduce pollution-recycling changes in processes, shifting to less polluting materials, as well as development of more efficient pollution removal technology.

We are asking that the ICR portion of the law be eliminated, that ad valorem taxes be used to recover industry's share of the O&M costs of the treatment plant.

If the law cannot be changed, then we will go to

Washington if necessary to ask that Fall River be exempted because the area's economy depends directly or indirectly on the textile finishing plants.

We will not stop here. ICR must go.

Thank you.

MR. GALL. Thank you, Mr. Guerriero.

At this time I'd like to call upon Martin Hadley of the Town of Templeton, Mass. Mr. Hadley is the Chairman of the Templeton Sewer Commission.

STATEMENT OF

MARTIN HADLEY

CHAIRMAN OF THE BOARD, SEWER COMMISSION TOWN OF TEMPLETON

MR. HADLEY: Gentlemen, my name is Martin Hadley, Chairman of the Board of the Sewer Commission for the Town of Templeton.

First I'd like to thank the EPA and Coopers & Lybrand for the opportunity to speak here. We all have heard industry's side of the ICR situation.

I'm here to state the Town of Templeton's position in this particular matter. Living in a town of 6,000 with a very low tax base, we have to look at the townspeoples' side in this matter also. Our industry in our town is not very large. We don't have a large population so while the

ICR Study will no doubt provide the EPA and Congress with necessary answers, we do not feel that it provides for consideration of the situation existing in our small rural community as far as the taxpayers are concerned.

We have a letter that we have on file, we sent to the U.S. EPA, and I'll just read a couple of paragraphs of it if I might, stating our position.

In our case the industry that we entered into agreement with to build a water treatment plant, they being the major polluter of the river, their effluent will amount for 95 percent of the wastewater treatment facility capacity, the Town's share is, therefore, approximately 5 percent.

It was very advantageous for the mill to have the Town join them in the construction of this facility. A considerable amount of money was saved by the mill because of this joint effort.

The townspeople voted on it as a joint effort because usage of the ICR funds made the cost reasonable to the people. Using ICR funds, the betterment charge would be approximately in the area of $700 per unit. Without ICR funds it would be approximately $2,700. In our small town, with no average yearly wages, the residents could not possibly pay a $2,700 betterment charge or incur an increased tax rate.

The economic hardships of that would be-- if ICR funds would be withdrawn from the Town of Templeton -- would be inestimable.

We will go along probably, with Alternative 17 which would -- the Town could retain part of the funds and the Federal Government wouldn't take anything from the bills. Should the Federal Government deem it a necessary economic measure to discontinue collecting the Federal share of ICR funds, fine -- if a change is made in ICR pay-back regulations it is imperative that a grant by ICR protect the town and townspeople who have entered into an agreement with industry, such as Templeton has done already -- an agreement entered into in good faith by all parties four years ago should not be nullified to the great detriment of our town and citizens.

Surely, we cannot put enough emphasis on the need to protect towns or cities in our situation; we must be allowed to use the Town's share of the ICR payback as planned when we entered into the agreement to do so, four years ago.

Thank you very much.

MR. GALL: I think at this time it might be appropriate if we took a 10 minute break so that you'll have an opportunity to stretch your legs and I'll see if we can ventilate the room in some way so the non-smokers won't die because of the smokers and just generally to have an opportunity to collect your thoughts.

We will be having approximately four more prepared statements, then we'd like to go into a question and answer session.

So if we can reconvene at approximately 10 minutes of three.

(A short recess was called.)

MR. GALL: I'd like to get started once again with our scheduled speakers, so I'll ask you all to take your seats and we'll start back up again.

At this time I'd like to call on Mr. William Goodwin. Mr. Goodwin is in the City Engineering Department in the City of Portland, Maine.

STATEMENT OF

WILLIAM GOODWIN

CITY ENGINEERING DEPT., CITY OF PORTLAND, MAINE

MR. GOODWIN: Thank you for the introduction. My name is William Goodwin and I am with the City of Portland, Maine.

The City of Portland supports Alternative 1. However, Fall River and other cities have done a fine job of representing this opinion and I feel no need to be repetitious. My comments aren't prepared so I won't be repetitious.

The City of Portland also realizes that Alternate 1 would be supported by most of the cities. However, we do feel that Congress might be a little reluctant to go with Alternative 1, so, for a secondary alternative, the City of Portland supports Alternative 7 a, or another truly equitable system.

The current systems are not equitable. Number 7 a is a national ICR and Portland feels this should apply to all industrial users of publicly owned treatment plants, including those funded with 84-660, 92-500 and 95-217 funds.

The current system is not equitable and I'd like to just use the State of Maine as an example. As the name Ed Muskie is probably fairly familiar to everybody that knows anything about the 92-500 -- Ed was our governor prior to going to Congress or the Senate and, while he was in administration of the State, we adopted Title 38. This is the basis of the Clean Water Act for the State of Maine. I think he used a lot of Title 38 as a basis for his first writing of 92-500.

In the State of Maine we have three standard municipal statistical areas.

Greater Portland is the largest SMSA. The sewer usage charges are $1.12 per hundred cubic feet of volume, plus 5.6 cents per pound of bod surcharge, that's over 250 milligrams per meter, plus a surcharge of 2.8 cents per pound of suspended solids also over a cut-off of 300 milligrams per meter, plus ICR charges of $156 per million gallons, plus 2.1 cents per pound of bod, plus 12.4 cents per pound of suspended solids, or, if we choose to implement ICR charges strictly on plant-flow capacity, that charge would be $222 per million gallons.

The second largest SMSA in the State of Maine is the Lewiston/Auburn area. The sewer usage charges in the Lewiston/Auburn area are 39 cents per hundred cubic feet for a residential rate for the Town of Auburn. Now Auburn uses the same treatment plant as the City of Lewiston however, the City of Lewiston's rates are 84 cents per hundred cubic feet for all users, and Auburn also uses that rate for any industrial or commercial rank. The surcharges in these towns are the same. It's 1.9 cents per pound of bod over the 250 milligrams per meter, and 1.55 cents per pound of suspended solids over the 300 milligram per meter concentration. There is no ICR in Lewiston/Auburn as the publicly-owned wastewater treatment plant was funded under 84-660.

This publicly-owned wastewater treatment plant is a secondary treatment plant and the cities of Lewiston and Auburn will not require any up-dating or any additional construction any time in the future as far as we can tell, unless a law was passed which says some sort of advanced treatment is the rule across the nation. And we've seen with the '77 Amendments a kind of reverse of this.

The third largest area is the Bangor/Booth area. The sewer usage charges in that area are as follows:

The first 1,200 cubic feet of water, 70 cents per hundred cubic feet; for the next 3,600 cubic feet of water, 33 cents per cubic feet; for the next 1,450 hundred cubic feet it's 31 cents per hundred cubic feet; and for the remaining -- for anything in excess of that it's at a rate of 27 cents per hundred cubic feet.

Now Bangor is only a primary treatment system and does possibly face up-grading to secondary. However, the City of Bangor has just recently applied for a Section 301(h) variance to the secondary treatment requirement. If this is granted it will be some time before Bangor has to up-grade or provide additional sewerage treatment and, therefore, the User Charge should be able to stay stable. It's true that most of these comments were on User Charges, rather than ICR, but ICR is only an add-on afterwards for an industry in Portland which has a nominal bod and suspended solids. ICR is only about 10 percent of the User Charge costs.

It does get slightly larger for the dirtier industries, but this add-on just does not seem equitable and that is the point the City of Portland would like to make.

That if ICR and User Charge systems are continued, they should be equitable -- nationwide.

Thank you.

MR. GALL: Thank you, Mr. Goodwin.

One point, though, that I would like to remind everybody of course, is that as numbers get thrown around here, it becomes very difficult to compare one community's rates with another's rates so as to know exactly what is being recovered, as in the case of Lewiston and Auburn.

MR. GOODWIN: John, may I add -- When Ed Muskie was governor, the share the state funded was 40 percent. Under that law the local share was still only 10 percent. With the change in 92-500, it increased to 75 percent in the state share, dropped 15 percent for equitabilities, so, therefore, it's still 10 percent, and always has been.

MR. GALL: At this time I'd like to call on Mr. Kenneth Bundy from Reed & Barton. Reed & Barton is located in Taunton, Mass.

STATEMENT

KENNETH BUNDY

PLANT ENGINEER, REED & BARTON

MR. BUNDY: My name is Kenneth Bundy, I'm the plant engineer for Reed & Barton Corporation in Taunton, Mass.

What I would like to give you is one company's view, it's history, and where we stand today on many things, and make it known that we're against ICR.

Reed & Barton is an old company that is 155 years old. It's been located in the same location for that period of time. It was originally started out with a metal industry and the street that we're on is named after it.

Reed & Barton has been through depressions and still operated and everything else.

I've been with Reed & Barton for the last seven years. I came there as plant engineer from Sylvania Electric. In that seven years I've seen the plant engineering costs and the operation of the plant grow from four percent to this year we'll be running somewhere around 17 percent for just the maintenance of the building. Now what goes into making up the maintenance of a plant is taxes, sewerage, water, energy.

At the time I took over we had something like 68 maintenance people. I have cut this down to 51. Our costs are still going up. We have spent three quarters of a million dollars this year under our Consent Decree to meet all of our requirements for the Taunton Sewerage Department before we could discharge into that sewer department by December 31st of this year.

We have had guidelines all along the year of the certain steps that we had to meet. Last year we used 111 million gallons of water. This year we have cut back by about 50 percent at the request of the city.

Now the city is claiming that we are pulling out of their sewer department and that we are raising their operating costs by not putting more water in. We have spent something like $80,000 already to take that 50 percent cut of the sewer department and treating it.

Our costs are continually going up. Our costs last year for -- per million gallons of water to the sewer department was $325. This year, just the User Charge is

$625. Our ICR is going to be somewhere in the vicinity of $127.66.

I say let's abolish the ICR because not only now are we in Taunton in the throes of a sewer dispute, we now have to build a complete new water treatment plant that is going to cost us -- industry and homeowners -- just as much as the sewer department has cost us.

The state is funding part of it, but the other part is being picked up by the city.

These two items, between the sewer and the new water treatment center and the ever-rising costs of labor and industry and energy, could drive us out of business after 155 years.

Our -- I have seen in the last seven years, a steady decrease in our profit margin. There's only so far we can go. We spent billions of dollars in the last seven years on air pollution, OSHA; this year we're under a mandate for a quarter million dollars on noise pollution -- it just, forever and ever, keeps growing. There is no end to what industry has to pick up.

It's my feeling that ICR would be one of the steps -- only one of the steps in the right direction to help industry survive and it has to be done. Thank you.

MR. GALL: Thank you, Mr. Bundy.

At this time, I'd like to call on Mimi Feller again, from Senator Chaffee of Rhode Island's office.

If I understand it correctly, Mimi will attempt to explain the labyrinth that is Congress and some of the procedures and what the Hill is going to be looking at in going through EPA's recommendations.

STATEMENT OF

MIMI FELLER

OF THE STAFF OF SENATOR CHAFFEE OF RHODE ISLAND

MS. FELLER: Well, this is rather a dubious task but maybe it will help all of you and give you some thoughts on some of the measures you might want to go through to get some of your ideas across to the Members of Congress and the EPA.

I think that there is rather a definite feeling in the room that ICR needs to be abolished, but there would be a lot more that would have to be done to get this thought across.

First of all, it's true the Study is going to be very important because -- well, I've seen it happen when we've worked on legislation, I've seen at the last moment a GAO Study come out on whatever subject we're working on and instantly you have a lot of staff and members, and rightfully so, running into a House or Senate conference, or coming in and making a speech on the floor saying GAO says such and such and this is why we should not or should take this course of action.

So have no doubt about it, this Study is extremely important, it will be quoted often by members and staff no matter what kind of action we try to take in legislation and that's why I'm glad to see that they are having these regional hearings and what the Study says will definitely be used in either pro or con, you know, abolishing ICR or taking some action with regard to it.

As far as legislation goes, and whatever bills we might drop in the hopper, there's a lot of things that should be considered.

First of all, it's hard to do legislation that has just a one-region impact. If we do a bill on ICR the best thing, if all of you very much want to change the system, is to talk to other people in your industrial groups, in your open groups, a conference of mayors -- that kind of thing. They're having regional hearings throughout the country. I understand that probably Chicago's regional hearing and California's regional hearings are going to be as heated and as important as this one.

They're very concerned, as is the Northeast Region, and probably -- and I may be wrong, but I think that those three areas have been very heated in discussions on the ICR.

So that it's more difficult to come in often with a bill that affects, you know, just one or two communities or one region.

So I would emphasize, I certainly would hope that we can transcripts of all the regional hearings some time so we can see what the rest of the people are saying also and get some backing for whatever ideas we might want to do.

Also, as far as Congressional action, I know one thing that we'll be running into. ICR is one provision within an over-all Clean Water Act. You've all heard about 92-500 and the Clean Water Amendments, and when you say the "Clean Water Act" you tend to get a lot of responses of different types, from different Member of the Congress. Our Senate Environment Committee has 15 members and the House Committee has at least 20 probably -- I think a few more than that -- all of whom have different ideas about various parts of the Clean Water Act.

Doing a bill on ICR is going to raise the spectre of the Clean Water Act over all. Some people will be very happy about that, others will not. Some members will be happy because that may mean the opportunity to not only change the ICR provision, but Section 404 and certain other things.

Others are worried about that. I don't think that that is a reason to not do something on ICR. I think that we can, you know, work to make what changes we feel are necessary in the ICR, but that is something that will be brought up. Do you want to bring up the whole Clean Water Amendments again, and all these other fights that we've been working on all these years.

As far as EPA, I'm not going to let EPA off the hook totally. I was asked to talk about the fact that Congress is very varied and members have a lot of different feelings about other parts of the Act as well as this one.

But we've got some 40 members at least within just the Committees alone, not to mention the whole Congress -- the ones who tried to do the Bill, but EPA and the Administration and the President will have a very important say in what we do because if we do a bill one of the things that we'll be asked about is "What is EPA -- will they testify in favor of the legislation -- will they send up an opinion, you know, totally negative to it?" "Will the

President sign the Bill?"

There are just lots of ramifications in that. So I would urge you to continue to let your thoughts be known to the Administration and EPA. I think EPA's been very open in trying to do a thorough Study here -- in encouraging Coopers & Lybrand to do that.

So it's a broader base than just ICR. It's a broad-based Committee meeting in many regions and I was only asked to try to be realistic and to let you know that you should, you know, marshall your forces from several other areas to get your ideas across, and I don't know -- John, what's been happening at the other regional hearings? Have they been as definite as this one?

(Pause.)

Not yet? (Pause.)

San Francisco is happening currently, isn't it, the same days?

MR. TOWNSLEY: Yes.

MS. FELLER: I only mention it to give you some idea of what we'll be working with next year in trying to take care of this provision and see what we can do to minimize the effect of the whole system on this region in particular.

MR. GALL: Thank you very much.

In regard to other meetings which are going on in other parts of the country, the majority of them, unfortunately, have already been completed.

There will be a meeting this Thursday at the Civic Center in Atlanta and the three people you see up here will be attending that meeting.

In addition, there's the Sacramento meeting going on today, and it was also held yesterday, if in fact there are two days.

And I believe that there was a meeting in Seattle, probably on Thursday -- Seattle, on Wednesday, and then that's it.

The other meetings last week -- this team was in Chicago, New York and Philadelphia.

At this time, I'd like to call on Duane Wheeler, from the Acushnet Company in New Bedford.

STATEMENT OF

DUANE WHEELER

VICE PRESIDENT, ADMINISTRATION - ACUSHNET COMPANY

MR. WHEELER: Thank you. Gentlemen, I appreciate the opportunity to have a few minutes to speak today.

I am Duane Wheeler, Vice President, Administration, of the Acushnet Company, one of the 31 major New Bedford industries that Mr. Murray, one of the prior speakers, spoke of.

In fact, the Acushnet Company is the largest employer in the New Bedford area. Although we operate in and have plants in four states and the U.K. in addition to Massachusetts, the majority of our employees -- some 2,200, are in the New Bedford area.

Our company operates in two major industries -- precision molded rubber and in golf balls and golf equipment. Both of these industries, unfortunately, are highly price-sensitive. Like all companies who participate in highly priced-sensitive industries, we have to have extensive cost containment programs and are constantly urging our employees for greater productivity.

If we do not, we cannot, of course, offer a fair return to our stockholders and we cannot attract and hold our most valuable asset, our employees.

I agree with the prior speaker from New Bedford in that the Massachusetts area, especially the southeastern Massachusetts area, already operates with very high operational costs, especially in the areas of energy and taxes and transportation; and I can honestly say that we at Acushnet do not look forward to the Industrial Cost Recovery charge. I join Mr. Murray and the other speakers here today and urge you to eliminate the proposed ICR.

Gentlemen, I thank you for this opportunity and for your consideration.

MR. GALL: Thank you, Mr. Wheeler.

At this time I'd like to call on Karl Spilhaus. Mr. Spilhaus is with the Northern Textile Association, headquartered here in Boston, I believe.

STATEMENT OF

KARL SPILHAUS

NORTHERN TEXTILE ASSOCIATION

MR. SPILHAUS: Thank you, gentlemen. We had rather short notice of this meeting but I did want to make the record and intend to submit some written comments.

The Northern Textile Association represents a number of small and medium sized textile manufacturers throughout the Northeast, many of them located in older urban areas.

Our members manufacture broadwoven cotton, synthetic and woolen fabrics, as well as felt and elastic fabrics. Water use is great in this industry, particularly in the dying and finishing of the woolen fabrics.

Our membership is made up of both direct and indirect dischargers of waste water. It's been my observation, from conversations with members of our association who have their own treatment plants that they do not feel that they will be inequitably treated if there's an abolition of the Industrial Cost Recovery program.

They feel that their problems with OSHA, foreign imports and other Government regulatory activity are much greater in comparison.

Another concern is that the EPA scenario for priority pollutant control, which they feel will negate any relative competitive advantages on the part of either direct or indirect dischargers.

In closing, I'd like to say that we echo the sentiments of Mrs. Heckler and our colleagues from Fall River in urging the complete abolition or substantial reduction of the ICR program.

MR. OLSTEIN: Mr. Gillum, of the Goodyear Tire & Rubber Company.

STATEMENT OF

KENNETH GILLUM

MANAGER OF ENGINEERING, GOODYEAR TIRE & RUBBER CO.

MR. GILLUM: My name is Ken Gillum. I am the Manager for Engineering of the Goodyear Tire & Rubber Company of New Bedford, Massachusetts.

I'm here, also, in opposition to the waste treatment charges, as well as the other gentlemen from the New Bedfrod area.

Goodyear of New Bedford is in a highly competitive industrial products business. It was only two years ago that we terminated manufacturing of bicycle tires and tubes due to foreign competition and the high operating costs.

Goodyear in New Bedford is one of the largest users of water and this additional -- approximately $300,000 -- increase to our operating cost is certainly going to have an effect on our future in the City of New Bedford.

MR. GALL: That concludes the people -- let me put it this way -- Is there anybody else who would like to make a statement, as opposed to a question and answer?

(No response.)

Okay. That, then will conclude statements for the record.

As I indicated, I would remind you that should you care to make additional written comments you may do so up until November 6th.

There were two issues that stick in my mind specifically, that were raised by some of the commenters and I would like to try to -- I will try to address one of them and I would like Myron to address the other. That has to do specifically with the appeal procedure, if you would, or how we perceive the recommendations of this report may impact on prior financing under 84-660.

I don't think the Agency has a clear conception of what it would do immediately right now and I think that part of the over-all long-range problem that Congress is going to have to address itself to in addressing the ICR issue, is really the central theme of that question.

That is -- How do we deal with 84-660 in the 25,000 gallon a day exemption? And I really can only defer to their wisdom and they are going to have to try to come up with the best solution possible in terms of attempting to ameliorate the impacts of 92-500 and at the same time mitigating any adverse effects that may be created with any 84-660 grantees.

I'm certain one of the recommendations which we might make could be not only to eliminate cost recovery under 92-500, but to provide that grantees under 84-660 who care to eliminate the equitable recovery of industrial waste treatment costs may also do the same thing.

That would at least, across the board, eliminate some kind of disparity that could develop by leaving in one form the cost recovery program but eliminating another.

Myron, would you care to address the second one?

MR. OLSTEIN: One of the earlier speakers wanted to have some more information on the regional impacts of ICR.

As you may recall, the Act itself requires that that was one of the analyses that we perform.

We have, in fact, arranged our data in such a way that we will be able to do it.

However, we have a very compressed time schedule. Congresswoman Heckler was under the opinion we have a full year. Our actual time to do the Study is turning out to be about seven months.

So it's sitting in the computer, so we can do the state-by-state analysis. We just couldn't get it down in time for these hearings. It will be in the summary report and, of course, all the detailed data will be in the final report.

Were there any other questions that you felt were raised during the prepared statements that, you know, you'd like to have an answer to?

Sir? Your name and affiliation?

MR. BURNS: I'm Dick Burns, I'm with EPA in Boston, and I was unable to attend the morning session. Perhaps the information came out at that session, but if I may, have you determined the size of funds that would be collected through ICR in any way?

MR. OLSTEIN: Yes. Our estimate over the life of the program is in the range of $1 to $2 billion total.

MR. BURNS: How many years would that be?

MR. OLSTEIN: Forty years, I guess, would be a good number.

MR. BURNS: And that would correspond with what value of treatment facility, would you know?

MR. OLSTEIN: Well, that's on the assumption that all 45 billion goes out in grants.

MR. BURNS: I see. Thank you.

MR. GALL: Ken Bundy?

MR. BUNDY: Ken Bundy, Reed & Barton in Taunton. Has any thought been given to -- we were talking about the over-sizing of the sewer departments that have been built or are being built, some of them are down to three or four percent -- the cost of operating some of these over-sized units has to be a factor in it, this ICR too, because this could be a very expensive thing, not only to industry but to homeowners and everyone else?

MR. OLSTEIN: Actually, it works the other way around.

MR. GALL: Would you like to try to rephrase the question?

Myron, why don't you --

MR. OLSTEIN: Okay, the question was asked -- Assuming that in fact treatment works that are built with grant funds are over-sized, what impact would the higher O&M charges, the higher charges, cost a company in the larger plant; what impact would that have on ICR payments?

I think the answer to that question is that, of course, your User Charges would be higher because, you know, you have such high fixed costs in treatment plants. So that everyone would pay more for an over-sized plant.

But -- Well, the ICR charges should in fact be lower, because since the ICR user in most cases now pays just on a portion of actual use that he makes on the plant, he's taking advantage of, you know, the theoretical economies of scale.

MR. TOWNSLEY: The calculation is on design capacity.

MR. OLSTEIN: You gave your rate on design, but it's applied to the actual volume used, so there would be a slight benefit there. It's not really that great. I should have mentioned that Camp Dresser & McKee, I notice they're not here -- they are, oh -- that they assisted in doing some of the economic studies that were performed and there are economies of scale, but not as great as you might think they are, because they come from larger and larger plants, but there are some.

MR. GALL: Mr. Walker, did you have a question?

MR. WALKER: Yes. I also was not able to -- John Walker from the Chamber of Commerce for the Greater Portland Region.

I also did not make the morning's part of it and I was going to ask the consulting firm -- One of the things they asked was whether the ICR program would result in User Charges causing communities to charge much higher costs for water treatment than other communities in the same geographical area.

The observation, I think, in incorrect. We've documented it in the Portland-South Portland situation, which has caused, actually, a tremendous tension between industries inside these communities and quite a bit of confusion on it.

MR. OLSTEIN: The way we went around trying to get and answer to that, to get situations we could investigate, was by going to each one of the Regional Offices and, on the assumption that they were aware of the various grantees that were involved in this situation, we asked specifically why there are cases where you have 92-500 POTW's and nine 92-500 POTW's , you know, whether it was 84-660 or something else, but are within the same SMSA, and maybe we overly specified the question, but that was what we were looking for -- to find out if we had these tremendous disparities.

And the answer to this question at that time was no.

If you have information to that effect, I think it would be very helpful to us and, you know, we'd be very happy to include that.

MR. GALL: Can I comment?

As you know -- As you may or may not know, we visited approximately 10 cities in this Region for a "hands-on," if you would, session, an interview with the various municipal officials, and in addition, we mailed a survey form, the same one you filled out at the direct meeting, to about 20 more communities.

Very interesting, Portland was one of the cities we visited, South Portland was one of the cities that got the mailed form, so that it may be is that that particular disparity didn't jump out in the realm of over-all data.

MR. GALL: The other question -- The only question I have in that regard, John, is I understand the Portland system, that is, the rate Portland -- $1.12 or whatever it is--recovers all the costs related to the wastewater treatment system. But I'm not sure whether the South Portland one does, do you?

MR. WALKER: I couldn't say exactly.

MR. GALL: That does -- could make a significant difference. If South Portland is funding, for example, local construction costs, debt service and capital it shows up in your tax rate and it would not show up in the sewer rate. So you'd see a major difference in sewer rates.

MR. WALKER: I don't know.

MR. OLSTEIN: The thing that we did in those cases where we had to make comparisons like that is we didn't focus so much on the rates as we focussed on the costs, on the assumption that if, you know, if the rate wasn't picking up all the costs, at least we'd have a truer picture, based on all actual costs of operating the plant, and then if there was a rate system that included ad valorem or something like that in a substantial amount then at least we'd be able to make comparative cost information.

So, you know, as I said, we're still in the process but maybe on a cost basis, we didn't pick up a tremendous disparity.

MR. WALKER: In answer to John's question, they're not picking up that -- South Portland is not picking that up.

MR. GALL: So we have an anomoly in our Study.

Is there anyone else who has any further questions?

Yes?

MS. NESTMANN: Anna Louise Nestmann, Member of the League of Women Voters of Rhode Island.

I want to be sure that I know what a significant user is. Is it over 25,000 gallons or is it 10 percent of your lighting of the plant?

MR. GALL: The question of how does EPA define significant industrial user for purposes of Industrial Cost Recovery and whether it is over 25,000 gallons a day or over 10 percent of design capacity of the facility or any construction with relation to it has always been, it would be an industry greater than 10 percent of the design capacity -- the various design capacities -- whether it be flow or the measure of pollutant flows. Twenty-five thousand bears no relationship to significant user.

Okay. I presume that since there's no hands up that the meeting for the afternoon can be adjourned. In regards to tomorrow, we will be here tomorrow morning because the public announcement said the 24th and the 25th. It has been our experiences in other regions -- in Chicago on Day 2 nobody showed up. So if you know anybody who's going to come tomorrow, urge them to come no later than 10:00 o'clock, because it's going to be like college, five minutes for an assistant professor, 10 minutes for a full professor.

On that, I'd like to thank you all for coming today, reminding you once again of the November 6th deadline for written comments and, should you have any further questions, please give me a call at the regional office.

Thank you.

(Whereupon, at 3:40 P.M., the hearing in the above-entitled matter was adjourned.)

Attendees

- L. Blank
- Wesley Ehrenzeller
- William J. Collins
- Mimi Feller
- Margaret Heckler
- Makram H. Megalli
- Suane E. Sheeler
- Kenneth Gillum
- Karl Spilhaus
- Philip Murray
- Hedley Patterson
- Carlton Viveiros
- George T. Darmody
- John E. Walker
- Martin R. Haley
- Anna M. Richard
- Patrick Harrington
- Ralph Guerriero
- David L. Phillips
- William B. Goodwin
- Jack Turner
- Adolph T. Schmidt
- Anna Nestmann
- George D. Gallagher
- Michael S. Karlson
- Paul D. Weisman
- Robert Burke
- Robert F. Dunning
- Paul Walker
- Richard S. Horsey
- Paul Taurasi
- John O'Brien
- John J. Ostrosky
- James C. Dakin
- Stanley Linda
- Mark Casella
- Lav D. Patel
- Michael Long
- E. M. Lape
- D. S. Yeaple
- Bill McAloon
- Charles E. Volkmann
- Allan Morgenroth
- Vasanti Patel
- D. Olken
- Stephen H. Garibo

Ann R. Wire
William T. Gabbiepy
Alvin T. Gravely
John Brady
Jack Konovan
James Brayden
William Terpey
Arthur Levesque
Edward L. Gallo
Emil W. Holland
Ronald A. Breton
Thomas E. Wesolowski
Roland J. Desrosiers
David Butterfield
Kenneth Bundy
Donald G. Wood
Cheryl A. Breen
Laura Montgomery-Tanner
Christopher Woodcock
Julian Hatch
Pearce Klaser
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Dr. Richard Burns
John Christie
Frederick A. Rubin
Arthur Corey
Ed Gillisse
Stephen E. Poole
Ben Fehan
Marie Holman

INDUSTRIAL COST RECOVERY PUBLIC MEETING

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Biltmore Hotel
New York, New York

Wednesday, October 18, 1978

The public meeting was convened at 10:15 a.m., Kenneth Stoller presiding.

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PROCEEDINGS

MR. STOLLER: Good morning. My name is Kenneth Stoller. I'm Chief of New Jersey Construction Grants Branch in Region 2, and I'm here representing Mr. Eckert C. Beck, Regional Administrator of Region 2 EPA.

Mr. Beck is responsible for most of the EPA's activities in the States of New York, New Jersey, the Commonwealth of Puerto Rico, and the Territory of the Virgin Islands.

Mr. Beck did want to be here today, but because of scheduling problems was unable to be here.

It is my pleasure to welcome you today to participate in this meeting, which is part of EPA's Study of Industrial Cost Recovery.

It is EPA's sincere intention that the public be involved in the Study and that the public's statements and concerns be reflected in the final report to Congress in December of this year.

In order to make certain that everyone has the opportunity to be heard, we must have a simple, understandable and orderly meeting. To assure this, we will observe the following order of procedure:

1. An explanation of the purpose of the ICR Study

and of this meeting, by myself, followed by an introductory speech.

2. A briefing on the Project Scope and Methodology by Mike Townsley of Coopers & Lybrand, the management consulting and accounting firm hired by EPA to assist in this study; a presentation, again by Mr. Townsley, of the findings and conclusions of the Study, as well as some of the possible recommendations which can be made as a result of this study.

Prepared statements by those individuals who have scheduled a statement in advance.

Prepared statements by anyone else who has a written statement to present.

And the questions and answers in an open but orderly discussion.

It is requested that before making any statements or asking any questions, that the individual should state his or her full name, title and the organization he represents. In addition, we would appreciate it if you come up to the podium and make the statement and ask the question in the microphone so it can be part of the record.

We intend for everyone to be heard who wishes to speak, but I must insist that we follow the format I just outlined. ICR is a topical issue and we want the Congress to be aware of the grass roots concerns related to ICR.

We will stay as long as necessary to conclude this discussion. We have a Court Reporter with us today, and a transcript of the meeting will be appended to the final report which goes to Congress. For that reason, I must ask you to speak clearly and slowly, and one at a time.

And without further ado, I will now explain the purpose of the ICR Study and of the meeting.

As we all know, the passage of the Federal Water Pollution Control Act Amendments of 1972, also referred to as Public Law 92-500, intended that waste water treatment facilities be operated as non-profit public utilities. Section 205(b) of the 1972 Act required grantees to develop two kinds of rate systems: First, a usage charge system to cover the operating, maintenance and replacements costs of the Treatment System from the users of the system on a proportional basis related to usage, and Industrial Cost Recovery to recover from industry that portion of the EPA Grant allocable to the construction of the sewage treatment capacity for industrial use.

While some jurisdictions disagree with EPA's regulations and guidelines to user charges, most grantees agree in principle with the ideas of economic self-sufficiency for wastewater treatment systems.

ICR, on the other hand, is a topic which has caused considerable debate over the last six years. In response to many questions and much discussion, Congress, in December of 1977, enacted the Clean Water Bill of 1977, also referred to as 95-217. This Act makes several modifications to the Clean Water Act of 1972.

One of the requirements of the Act was set forth in Section 75 of the '77 Act, which specified that EPA would study the "efficiency of, and need for" ICR, Industrial Cost Recovery.

The Study was to include, but not be limited to, an analysis of the impact of ICR upon rural communities and on industries in economically distressed areas or areas of high unemployment. The report must be delivered to Congress by December 31, 1978.

In May of this year, EPA contracted with Coopers & Lybrand to conduct the ICR Study for this Agency. Coopers & Lybrand is one of the Big 8 certified public accounting firms. The firm was selected by EPA Headquarters after careful evaluation.

The purpose of the ICR Study was to carry out the instructions of Congress. The basis for the contractor's scope of work were the questions inserted in the Congressional Record of December 15, 1977 by Congressman Roberts: It has been long the intent of Congress to encourage participation in publicly owned treatment works by industry. The conferees are most concerned over the impact the Industrial Cost Recovery provision of the existing law may have on industry participation on these public systems.

Accordingly, the Industrial Cost Recovery Study, Section 75, has been incorporated in the Conference Report, and EPA's encouraged to submit the results of the study as soon as possible so that Congress can take action on any recommendations that are forthcoming.

It is expected that the Administrator will consult with all interested groups in conducting the Study, and the Study will address at least the following questions:

First, whether the Industrial Cost Recovery Program (ICR) discriminates against particular industries or industrial plants in different locations; do small town businesses pay more than their urban counterparts; and what is the combined impact on such industries of the user charge and ICR requirements?

Second, whether the ICR Program and resultant user charges cause some communities to charge much higher costs for wastewater treatment than other communities in the same geographic area -- some communities have indicated that disparities in ICR and user charges affect employment opportunities; and whether mechanism should be provided whereby a community may lower its user and ICR charges to a level that is competitive with other communities in order to restore parity?

Third, whether the ICR Program drives industries out of municipal systems, the extent and the community impact.

Fourth, whether the industries tying into municipal systems pay more or less for pollution controls than direct dischargers.

Fifth, whether the ICR Program encourages conservation, the extent and the economic or environmental impact.

Sixth, whether the ICR Program encourages cost effective solutions to water pollution problems.

Seventh, how much revenue will this Program produce for local, State and Federal governments, and to what use will or should these revenues be put?

Eighth, determination of the administrative costs of this Program, additional billing costs imposed, costs associated with the monitoring of industrial effluent for the purpose of calculating the ICR charges, ancillary benefits associated with the monitoring of industrial effluent, procedures necessary to take account of changes in the number of industries discharging into municipal plants, and the impacts of seasonal or other changes in the characteristics and quantity of the effluents discharged by the individual industries.

Ninth, whether small industries should be exempt from ICR; how should small be defined; is there a reasonable floor that can be established for ICR based upon percentage flow?

Coopers & Lybrand has been busy for the past five months asking questions and gathering data from a cross-section of viewpoints. As a final action in their data collection phase, ten meetings are being held in the ten Regional Office cities, to present the summary of the data gathered to date, as well as a preliminary set of conclusions as to what the data means.

We would like to gather the data and statements from those interested parties with whom we have not had the opportunity to talk to in the past, and want to present a list of some of the alternatives to ICR which could be recommended.

Finally, we want to answer as many of your questions as we can reasonably answer. Our primary purpose is to listen to your comments.

With that, I will introduce Mike Townsley of Coopers & Lybrand, who will tell us briefly just what it is that they have been doing for the last five months.

Before Mike goes on, I would like to request anyone who's not signed the attendance sheet to please do so. It's floating around somewhere in the audience.

STATEMENT OF

J. MICHAEL TOWNSLEY

MR. TOWNSLEY: Thank you, Ken.

Good morning. I'm Mike Townsley and I've been responsible for most of the data collection and field work in roughly the Eastern half of the United States.

When EPA first asked us to conduct the ICR Study, the first thing we did was read the '72 Legislative History related to Use Charge and Industrial Cost Recovery, to find out exactly what ICR was supposed to accomplish.

Stated briefly, we found two major objectives contained in the Legislative History:

First was equity, or the equalization of the assumed economic advantage for those industries using public systems, as opposed to those industries treating -- that treated their own facilities.

And the second objective was capacity, or the appropriate sizing of wastewater treatment plans with adequate but not excess future capacity.

A third objective, but not as nearly as central as the first two, was to encourage water conservation.

This background material, together with the Legislative History related to the 1977 Act, and especially Congressman Roberts' questions and Congresswoman Heckler's emphatic statements on ICR, served as the frame of reference for us to plan the Study.

Our initial step in late May of this year was to sit down with EPA personnel, including John Pai, John Gall and Ted Horn, and put together a "shopping list" of every piece of data that we could think of that would help in answering the specific questions already listed, as well as addressing more general issues that were involved.

We took this list of data elements and converted it into two draft survey questionaires -- one for industry and one for grantees. These draft industrial questionaires were reviewed with the National Food Processors Association, The National Association of Manufacturers and other public and industrial associations and groups.

After refining the questionaires, we developed a survey list. We compiled, with EPA Regional Office assistance, a list of approximately about 100 cities which we planned to visit. These cities ranged in size from Ravenna, Nebraska (population 561) to New York City.

We eventually visited about 120 cities, some of them more than once if there was a strong local interest in the Study.

Our standard procedure was to attempt to meet first with the local agency responsible for wastewater, then to m eet with industrial people, then with civic or public groups later in the day. We mailed the survey questionaires out ahead of time to the people we were going to meet with, so they would have an idea of the kinds of data we were looking for.

We stressed that participation in that survey was voluntary. In many cases, people mailed in completed questionaires to us, rather than meeting with us personally.

We selected an additional list of about 200 cities for our telephone surveys. We used the same questionaires and mailed them out in advance to the people before they were surveyed.

We started with a group of five industries for detailed study. We later expanded this to six. Although we were interested in industry in general, we selected particular industries that met one or more of these criteria -- in order to be selected, an industry -- we wanted our industries to be:

First, labor intensive;

2. To have a low operating margin;

3. To be high water users;

4. To have a significant economic size, in total, across the country; that there be some seasonality and that there be varying degrees of pretreatment associated.

The industries eventually selected include meat packing, dairy products, paper and allied products, secondary metal products, canned and frozen fruits and vegetables, and the sixth one we added is textiles.

A list of selected establishments in these industries located in the cities which we were going to visit was prepared, and survey forms were mailed to these industries. Our entire data collection effort was accomplished in six to seven weeks, using up to ten teams of consultants at a time.

The second step in our Study, and just as important as the first, was to develop mechanisms for public participation in the Study.

We wanted grass roots involvement to the extent we could get it, and we wanted an open Study. We put together an ICR Advisory Group of approximately forty individuals, representing industrial, environmental, civic, local government and Congressional interests, and relied on them to keep their local members involved in the progress of the Study. Monthly meetings were held in Washington, and transcripts of the meetings were mailed to anyone requesting them.

The third step in the project was to summarize and analyze the data collected. We are right in the midst of this right now, and we have reached some preliminary conclusions as to what this data means. We developed several computerized statistical analyses, and we are now refining them.

We've looked at enough data to be able to formulate possible alternatives to ICR as it presently is constituted.

The purpose of our meeting today is to relate to you what we found, and to get your reaction to it.

After these regional meetings are held we will put together a draft final report, which will be widely circulated. This will be sometime in mid-November.

In December we will begin to write our final report which will be delivered to Congress in late December. The final report will contain our recommendations to Congress, although we cannot, of course, guarantee that Congress will follow our recommendations.

Before I turn it over to Myron to review our findings, and talk about the data we've collected, are there any Congressional Statements to be made?

(No response.)

All right, well let me turn it over to Myron Olstein then, who will talk briefly about what we found, what we think it means, and what some of the possible alternatives to ICR are.

STATEMENT OF

MYRON OLSTEIN

MR. OLSTEIN: Good morning. My name is Myron Olstein and I'm here to tell you what we found during the course of the Study, what we think it means, and to present some possible alternatives.

The data and statistics I'll be using are based on our Study as Mike described it, and are still in the process of being validated, up-dated and refined in our Washington office.

So, rather than handing out raw data or computer print-outs that would have limited understanding -- understandability -- what we've done is summarized our data in a handout, entitled "ICR Study Data," dated October 10th.

You should have received -- most of you -- copies of this earlier. I think we have a few left up here, if you want to look at them.

I would caution you that the data is mostly average data and requires very careful thought for using it. We eventually got data from 241 grantees, the best data coming from places that we actually visited, and naturally, the data obtained through telephone surveys was not as complete or precise.

We also obtained data from 397 industrial facilities, most of it through the effort of trade associations. The industrial data is all at the plant level, rather than at the company level.

Before I go into a discussion of the findings, I noticed the gentleman sitting all the way in the back on my left took all of the copies that we had, summarized findings. We only have about twelve of those, and this summarizes all on one page what I'm going to be saying. If we could share, I think there would be enough for everyone. As I said, it's just a summary.

Let's take a look, first, at the things that ICR was supposed to accomplish, the intent that Congress had back in '72 when they passed the Clean Water Act.

The first area that we investigated was the issue of equity, or the assumed economic advantage, i.e., less expensive sewage cost for the industries using publicly owned facilities, versus those using and discharging their own wastes.

We used a computerized model which we developed for our industrial clients, and modified that to reflect both User Charge and Industrial Cost Recovery. Basically, the model incorporates equations which reflect the cost of doing business, and enables a company to evaluate alternatives -- in essence, the "make or buy" decision -- should the company use the POTW or should it treat its own sewage?

What we found was that for some medium or large companies having compatible wastes, it's cheaper in the long run to self-treat, even without including ICR. This is just due to Use Charges. This is a very significant finding. What it means is that, even without ICR or pre-treatment costs, large industry should, from an economic standpoint, treat its own sewage.

Now the reason for this is because of several tax changes that were not known to the Public Works Committee, they were enacted after the passage of 92-500. They include accelerated depreciation for pollution control equipment, investment tax credits for capital equipment, and the use of tax-free IDB's, Industrial Development Bonds, to finance its self-treatment facilities.

There are a number of proposed tax law changes which are now pending before Congress which, if enacted, make it even more attractive to industries to self-treat, because of the increased investment tax credits.

What this finding says is that for many industries, it's cheaper to self-treat than to use a POTW. Well, if this is the case, why don't more industries self-treat?

Well, there are a number of reasons: For one, many are not located either on or close to a river or stream and must use a POTW. In many cases they don't want the hassle of self-treatment, having to get a NPDES permit, operating a sewage plant, etc., and finally and most importantly, ICR hasn't been in effect long enough for everyone to see its impact.

The significant thing to bear in mind though is if ICR and pretreatment costs are added on top of Use Charges, they could be the final straw that drives industry out of POTW's, thus making it more expensive for the remaining customers to use a publicly owned treatment works. In particular, EPA's application of pretreatment standards is likely to make many industries consider self-treatment.

Going back to the second major issue of the '72 Clean Water Act, the issue of POTW capacity, based on our survey of 241 wastewater treatment facilities from which we obtained data, the average POTW uses only 68% of its design capacity, and the usage ranges from a low of 4% to a high of 120%. It appears that ICR, as presently formulated has not acted to put a cap on the construction of excess future capacity.

The third issue, that of water conservation, is not as clear. Based on the industries that we surveyed, water consumption has dropped an average of 29%, but the industries with whom we talked attributed their water consumption to a number of factors, such as higher water rates and to User Charges, not to ICR; the reason being that ICR's a percentage of their water bill, and the remainder of their sewage bill is just not that significant at this time.

Just going on briefly through the specific questions that were opposed by Congress in the '77 Clean Water Act --

First, economic impact of ICR to date is not very significant in most localities. The reasons are that ICR has not been in effect for more than a year or two; most grantees have suspended ICR billings while a moratorium is in effect.

The exception to the insignificance or limiting the insignificance of ICR is in those areas where there are seasonal users and where advance wastewater treatment is required. In those cases, total sewage cost for industries have increased by several times.

The incremental impact of ICR above User Charges is generally not great. Once again, with exception of those two cases I mentioned, the seasonal users and the AWT.

The combined impact, however, of User Charges and

ICR can be very significant.

We were able to find only a few cases, scattered cases, of plant closing due to sewage costs, and none were attributed solely to ICR. The total number of jobs lost in those plants that did close was less than 1,000. And, in every case, there were other factors such as plant age, which affected the plant closing decision.

ICR rates appear to be somewhat greater in older cities, particularly in the Northeast, and in small to medium sized cities and in agricultural communities that, of course, have a preponderance of seasonal users.

There was not, that we could detect, any impact of ICR in industrial growth patterns, and we were not able to differentiate impacts of ICR on small, as opposed to large, businesses, because very few industrial plants were willing to disclose production or sales data which would permit this kind of analysis.

The cost to industry for sewage treatment is much greater, per gallon, in advanced wastewater treatment plants, as compared with strictly secondary plants, about 50% greater.

The incremental cost to grantees, that is, the people that operate the POTW's, to maintain and operate ICR, that is the purely eliminatable cost above and beyond user costs, is small when compared to the total costs of sewage treatment.

ICR costs are running around $15,000 per grantee per year. Average ICR revenues per granteee are running approximately $88,000, of which $8,800 is retained for discretionary use by the grantee. So that the ratio of cost to revenue is two-to-one.

There is some more data which might be of interest to you that's included in the handout, and we would be pleased to discuss specific data during the question and answer period at the end of our meeting.

To summarize our findings and conclusions very briefly --

First, ICR is not doing what it was supposed to do. Very few cities have implemented it, and the ones that have have suspended collections.

ICR, to date, has had no significant impact on employment, plant closings, industrial growth, import/export balance, or local tax base.

Finally, ICR is not proving cost-effective in producing revenues for local or Federal government, at least in most cities.

Now we must realize that the Clean Water Act had some societal as well as some purely economic objectives. Among other things, Congress was attempting to avoid the appearance of using public money to subsidize industries that discharged to grant funded POTW's.

Now, while our studies have shown that many of the economic objectives have not been met, the societal objectives remain.

Accordingly, it is appropriate to consider a series of alternatives to ICR as it now exists.

At this time I would like to ask everyone to turn their attention to a document entitled Preliminary Compilation of Possible Study Alternatives, dated October 10, 1978. Michael will be distributing those.

In there, we present some sixteen alternatives, which range from leaving ICR as it now is to outright elimination of ICR.

As you look at these, note that the alternatives are not necessarily mutually exclusive. A number of them could be combined.

What I'd like to do to give you a chance to read and study the document is to adjourn for, say, twenty minutes -- give everyone a chance to study the document, stand up and stretch your legs.

We'll reconvene at 11:00 a.m.

(Recess.)

MR. OLSTEIN: Okay, if we could resume the meeting, I would like to go through these alternatives briefly.

I'm not going to read them, you know, I think we can all do that. I would just like to highlight the main points and ideas behind each one and, when we get into the question and answer period, if you have any questions or want any clarification, we will be happy to do so.

Alternative Number 1 is to abolish ICR. Now that would, obviously, eliminate them -- any of the complaints that we have -- but it still leaves us with the other problem, the capacity -- excess capacity problem.

The second one is an attempt to deal directly with the excess capacity situation. Now what it would do -- it would base grant-funding on current usage levels; in other words, the plant size to be current usage. It would be a 75%, and then, as the plant size goes above that, we would have a sliding scale -- downward sliding scale for Federal participation in the project. Obviously, it would help more front-end planning in getting industry more involved in the planning process.

Alternative Number 3 is very similar to 2, except that it would be based purely on a non-industrial usage. Being based that way, there would be no need for ICR, because there would be no Federal grant portion allocable to industry.

Alternative 4 is an attempt to simplify the computation process associated with ICR, and it would restrict the charging of Industrial Cost Recovery strictly to the treatment plant.

Alternative Number 5 is one approach to dealing with the so-called equity issue from industry's viewpoint, and it would be to base industry's share of repaying Federal grant monies on an incremental cost, rather than on a proportional cost. Obviously, there would be difficulties in coming up with the methodology and the standardized methods for doing that.

Alternative 6 basically gives a grantee a choice as to whether or not he wants to have ICR at all. If the grantee and, presumably, the industry within the grantee's jurisdiction, decide that they don't want to be affected by ICR, then the industrial portion of the plant would be funded through other sources.

Alternative Number 7 is another alternative that would simplify ICR and its administration, and what it would do would be to establish uniform ICR rates, and this would be uniform unit rates now.

And this could be on a number of different bases: It could be geographical, could be by user group or whatever, but, what it would do, it would eliminate inconsistencies within ICR rates. And there are, obviously, some potential problems in doing that, but it would greatly simplify the process.

Alternative Number 8 is an attempt to bring a lot more flexibility into the ICR process, and to provide for, you know, differences based on unique local situations.

And it would provide for a number of circuit breakers which could be area industry groups, dollar amounts of ICR payments, could be flow volume, any number of things.

Alternatives 9 and 10 are an attempt to equalize the advantage given to self-treaters by the '74 Tax Laws and, basically, it would permit a tax credit for ICR payments. This would kind of be equity in reverse, and it would take away from one hand what's been given with the other. It would tend to equalize the cost to industry.

Alternative 11 would, basically, be a return to the requirements of Public Law 84-660, which is Industrial Cost Recovery based on the local grant portion only, and would tend to run, although this would vary, obviously, from one case to another, it would tend to run lower than ICR and, computationally, is somewhat similar.

Alternative Number 12 would abolish ICR, but extend the proportionality that now exists in Use Charge. That is, to the recovery of operations and maintenance cost. It would extend it to the capital costs only, and this would be one way to ensure that, at least, all of the charges of this industry are on a proportionate basis. Industry would, of course, still receive whatever advantages there are on the 75% Federal grant.

Alternative Number 13 goes in somewhat the other direction, and it would take ICR as it now is and add an interest component. This would, once again, follow the line of the Congressional debate at that time which viewed ICR as an interest-free loan.

Alternative Number 14, not very satisfactory, is an alternative just to extend the moratorium, and the one possible advantage is that it has been somewhat really in the ICR process. By postponing the date, some of the economic impacts might become a little bit clearer.

Alternative Number 15 would maintain ICR in its current form, everything the way it presently is.

Alternative Number 16 is another attempt to deal with the capacity issue, and it would require letters of commitment from industrial users at the time the proposed POTW is signed. This would put some more teeth in putting the cap on capacity, I might add.

And Alternative Number 17, which was proposed the day before yesterday in Chicago, is that the ICR dollars that presently are returned to the Federal Government be maintained by the grantee to fund those expenses generated by industry, pretreatment expenses, ICR administration, that sort of thing. The argument there was that, really, the Federal Government does not have a need for those funds. And this would maintain the payments, but also, help out the grantees.

Before we go any further, I'd like to introduce a representative of EPA Headquarters, Mr. John Gall, who's the User Charge Industry Cost Recovery Specialist, Region 1, which is located in Boston; and he'll have a couple of remarks about how we can -- how you can get some of your feelings into the public record.

STATEMENT BY

JOHN GALL

MR. GALL: Thank you, Myron.

As Myron indicated, by base is normally in the Regional Office in Boston. However, over the past several months I have been Regional Representative to the Technical Advisory Group at the headquarters level that was involved in formulating the various survey documents and providing general coordination and guidance to Coopers & Lybrand in the Study.

It's my purpose here today to represent, if you would, the headquarters perspective -- the Washington perspective.

In that regard, Washington, I would like to apologize for the short time frame or the short lead you may have had for the notice of this hearing. As you can understand, Congress has mandated that we deliver this report to them no later than the end of December of this year, and this has resulted in a substantially compressed time frame, in terms of conducting an orderly Study.

As a result, as we've gone along we have continually modified our schedules, dates, and/or whatever.

And it was only recently that final and firm dates were available for the public meetings. Now this is also going to be true in terms of coordinating our efforts here on out in terms of receiving the draft and the final report from Coopers & Lybrand, and distilling that into a series of recommendations which we will then make to Congress by the end of the year.

Should anyone feel that he has a need to comment, either on the alternatives or on the general findings that have been discussed this morning, EPA will be keeping the record open until November 6th, so that anyone who wishes to submit written comments may do so by filing them in duplicate.

From this Region, I would request that you send them to Ken Stoller at the Regional Office here in New York and, at the same time, so that we can assure ourselves that we have good coordination, a carbon copy to Coopers & Lybrand at 1800 M Street, N.W., Washington, D.C.

To give you an idea of the schedule that we are currently under, it's our understanding, to date, that Coopers & Lybrand's report will be presented to EPA in the latter part of November of this year.

That'll be in a draft form that will include, if I'm not mistaken, copies of the public hearings and transcripts from the ten Regional Offices, as well as transcripts on hearings for the Advisory Committee which has been meeting in Washington over the past several months.

I'd like to explain a little bit the composition of this Advisory Group to which I'm referring, It's not strictly an EPA/Coopers & Lybrand affair.

We have been meeting consistently with trade associations such as American Frozen Food Institute, The National Association of Manufacturers, The National Food Processors Association, and several other industrial groups.

In addition, there have been a wide cross-section of environmental groups represented at these meetings, such as the Clean Water Action Project, The League of Women Voters, The Audubon Society, Air Club, et cetera.

We've also had representation from local and state governmental agencies, The Association of Metropolitan Sewerage Work Agencies, several Regional and county-wide municipal associations.

One thing's very important to remember in all this exercise that we're going through today: That the Coopers & Lybrand report, in essence, will be recommendations to the Agency, and the Agency will then take these recommendations, along with your comments, distill them into a series of recommendations which we will then make to Congress by the end of the year.

And so, in that regard, the final recommendation to Congress will not, in essence, be greatly guided by the report, but the final recommendation will be an EPA decision.

Of course, the final tack or direction in which the Industrial Cost Recovery Program takes is one that's going to be decided strictly at the legislative level.

For you people who may be interested in obtaining copies of some of the final documents that will be presented, I would like to offer, if you leave us either your business card -- or we will provide a sign-out sheet here -- we will be attempting to make available a similar report of Coopers & Lybrand's final report.

We don't believe -- I have the distinct feeling that the short time that we will have for review at the Washington level, the draft report almost necessitates what we would hand out to the public would be a final summation of the final report, rather than a draft.

Thelead time of the compression is so great at that point, if we would distribute it you would try to digest it and then to submit comments back to us that I believe would be minimal chance that we would coordinate all the activities, so that we could get your comments into our final recommendation to Washington -- to the Hill, so that we will attempt -- make a summary of the final report available.

That's really all the comments I want to make on the conduct of the Study. There're two issues that we found here, that have come up in, at least, one other Regional meeting that we've had to date.

In the Eastern half of the United States, that has been pretreatment. What we understand is that pretreatment certainly impacts any kind of financial decision that industry is going to make, as to whether to use a POTW or whether to discharge on its own.

I'd like to remind you that the prime focus of the meeting today should be on Industrial Cost Recovery.

Should we stray off on a rather detailed discussion of EPA's pretreatment requirements, I'd just caution you that, don't be too surprised if we try to cut you off.

With that, I'll turn this meeting back to Myron.

MR. OLSTEIN: The sequence of the remainder of the meeting -- what I'd like to do is begin with the prepared statements first and, if you have a written one, if you could give it to the stenographer it would make his job a lot easier; go from the statements to a question and answer session; and then, if you have any other questions afterward, and you'd like to be informed with this, we'd try to make ourselves available after the meeting.

Does anyone have a prepared statement? Does anyone have a statement?

(No response.)

Well, there's going to be one by Commissioner McCartle. It's coming up. I called him from the corridor.

Okay. We do have one statement that's going to be made, but the gentleman is on his way. If there is -- while we're waiting, are there any questions that anyone wants to ask?

MR. FOSTER: I am Matthew Foster from Nassau County Department of Public Works. We have POTW's that are concerned with the ICR.

My interest is in the alternative sheet, and the question is: What is your definition of excess capacity which you are concerned with, with the reducing the excess capacity of the treatment plants either in the design state or the construction stage?

MR. GALL: Anybody who may be familiar with our September 27, 1978 Construction Grant Regulations and, in particular, the modifications to the cost effective analysis requirements probably has a fair understanding of th Agency as addressing itself to what it perceives to be a big problem; that is, building a facility so large that it could not reasonably be expected to be utilized within a -- within its design period. I think that characterizes what we talked about in terms of excess capacity.

The Regulations of the 27th or the Guidance establishes some stringent ways to control the sizing components or the domestic and commercial flows where it provides us essentially with kind of an ambiguous way to insure that the industrial capacity that's building for the future, its size based on a rational basis, and, I think, what we're -- we're not saying here that we don't have any capacity for future growth.

We just want to insure that what we have is a well documented need.

As Myron indicated, the original perception of ICR was that it could serve to insure that financial planners at the industrial level would look at this specific issue and make sure that requests for capacity, if you would, were added and quickly documented the understanding that they may suffer a financial penalty, if they were not.

As it happened, and as the ICR is broken -- is distilled down, I don't think that, really, ICR could ever have met that goal, as it was implemented, if there still is some of the questions as to how we do address the problem of unjustified or unwarranted capacity.

Does that respond to your question?

MR. FOSTER: I understand what you're saying, talking about future.

We are, and I put in quotes, "an old community with five treatment plants which is established." We have some plants which are overloaded which we're trying to upgrade on the flow capacity. Actually, this really does not affect Nassau County, as far as excess capacity goes. Our five plants of 100 million gallons a day plus or minus is stable.

MR. GALL: Yes. I think you can understand that the emphasis is directed toward rapidly growing areas where projections are made -- some rather large growth rates for twenty or forty or fifty, or whatever your period.

If one builds a facility that large, it costs a lot of money to run it. I think you may be correct that, depending on the specific situation, you're probably not impacted by the concern , at least.

MR. FOSTER: Therefore, what I'm getting at is what is called the disadvantage that plants would be designed to over capacity -- with an over capacity would not be a disadvantage to us, because that is no concern for -- of bigger plants. It would be demanded that we would have, because of these future -- of cities of the future -- industrial cities of the future, would we have to stand the Laws and Rules and Regulations for what's coming out from the White Tower down on the hill that says, because of future projections, you are going to do this?

MR. GALL: I understand the concern in the matter you are voicing.

If that's the issue that we wish to address, then ICR, if I could -- should be utilized in those instances where that, in fact, is taking place, but not in the other communities where there isn't impact of growth or excess growth predicted.

Okay. That's -- I take that as another alternative to add to our list as Number 18. One thing -- the other thing that I would like to point out is that the September 27th Regulation to address that issue, as allowing sort of unforetold capacity in the future, that, by limiting how much industrial capacity can be built into a treatment plant without some firm commitment from industries.

The problem is that the firm commitment that we're looking to from industries is not predictably firm at this point in time. It may come down more firm later in the future, in terms of a PRM.

Any other questions?

MR. FOSTER: Can I say one other thing? On your sheet of summary findings you said the cost to maintain the ICR is approximately $15,000 per year for grantees. At today's rates of what we pay employees, that would pay one middle management employee in our County.

I find it not realistic in the cost.

MR. OLSTEIN: The question that we asked that produced that number is "What are the eliminatable costs, if we just took away ICR and nothing else ? How much money could you save," and, really, you wouldn't expect that number to be very large.

Monitoring that has to be done associated with ICR, also has to be done per User Charge. ICR requires a separate billing, but it's an annual billing, usually.

And really, you should not require that much additional cost. I think based on the incremental burden that ICR places on you, that $15,000 per grantee is a reasonable number.

Now, obviously, since it's mostly labor, it's a number that will rise through the years. It represents strictly an eliminatable cost.

MR. GALL: You might want to indicate that that's something that the grantees gave us.

MR. OLSTEIN: It's also a number that came out of the survey. We didn't come up with it -- it's the average of all grantees.

MR. CALASCIONE: What's the definition of grantee?

MR. OLSTEIN: A jurisdiction that has received a waste treatment plant grant basically is responsible for administering that. It could be a city, it could be an authority, it could be a Commission.

It takes a number of different forms. It's a local -- an arm of local government.

We now have a gentleman on his way with a statement I guess what we can do is just adjourn and, if you have any informal questions that you want to address to us, we'd be happy to answer them, and there will be a statement by --

MR. STOLLER: Two statements; one by Commissioner McCartle and one by, I believe, Congressman Murphy.

MR. OLSTEIN: In the meantime, I invite you -- I thank you all for attending, and for those of you who are interested, just put down your name and address.

You'll receive a copy of the summary.

Thank you.

(Recess.)

MR. OLSTEIN: Pardon me. We'll reconvene to hear a statement by Commissioner McGough, Deputy Commissioner of the Department of Environmental Protection, City of New York.

STATEMENT BY

COMMISSIONER McGOUGH

THE DEPARTMENT OF ENVIRONMENTAL PROTECTION, CITY OF N.Y.

MR. McGOUGH: I have a short statement that I'd like to read on this subject, which I think is very important to the City, and one which is going to cause a great deal of pain and suffering if it's carried out.

The Department of Environmental Protection is charged with the provisional role of resources and the provision of all sewage treatment plants in New York, and it's under our jurisdiction that an ICR charge would have to be implemented.

Our Department is now beginning to develop the Industrial Cost Recovery Program pursuant to Section 204 of the Clean Water Act of 1977 and the regulations promulgated by the Administrator of the Environmental Protection Administration.

It has become increasingly clear as we go forward with this development that the task is formidable, and that the program's implementation will be expensive both to the City and the industries in the City, which will be burdened with this additional cost. There is potentially $1.5 billion worth of grant funds needed in the City for new sewage treatment works and upgradings to meet Section 301 requirements.

We have determined that industry will have to contribute about a million dollars per year over a thirty year period to comply with the EPA regulations. Yet the cost of developing an ICR System in terms of the necessity for field sampling, laboratory analysis, computer programming, et cetera, will cost the City $10 million over a three year period.

In accordance with the disbursement plan of collected funds, the City will not nearly be fully reimbursed for its development and implementation expenses. The Federal Government will realize a gross of only about 15 million dollars from New York-based industries over a thirty year period, a comparatively small sum by Federal Government standards. But ICR can only -- can have a substantial negative impact on the effected industries in the City, especially if we find it not legally possible to institute collections on a total waste treatment basis.

In that event, the industries subject to ICR payment in the Newtown Creek Plant drainage area, where about $20 million of the total $30 million will be collected, will be particularly burdened.

The development of an ICR System on a drainage area basis, is also beset by political problems principally due to the apparent result of "taxing" the same type of industrial plants differently on the basis of location within the City, a politically unworkable concept.

In a commercial City like New York City, ICR is ill-founded. Because industry contributes such a small percentage of the total flows to our sewage treatment plants, in practical terms, there is really no additional cost incurred in building such works in the City due to the presence of industrial wastes.

Rationally then, an argument can be made that no Industrial Cost Recovery is justified for reimbursement of the capital expended in sewage treatment works construction to serve the industry in the City.

We would suggest, therefore, that a limitation be imposed on all publicly owned treatment works having industrial contributions of ten percent or less from Industrial Cost Recovery Programs.

In summary, in the City of New York we firmly believe that ICR will prove burdensome to both the City and its industries, create unnecessary political and administrative problems, will be financially meaningless to the Federal Government, and is not justified to recover what we believe to be illusory construction costs to treat small percentages of industrial flow.

In conclusion, I would also like to add as we go forward with our development of an ICR System, we have found many anomalies in the Federal Regulations, and it seems to me that some of these must be straightened out before systems can go forward. And, at the very least, we would ask for further delay in the July 1, 1979 deadline for the submission of plans, giving EPA time to clarify some of these - some of the regulations. Thank you very much.

MR. HUELSMAN: You might comment that their recommendation is one of -- very close to one of the alternatives, the one that speaks to busting the circuit breaker; witness the circuit breaker, take away the industry or discharge for that component of industry, that capacity.

There are a list of alternatives ICR potential recommendation, if you want to look at the book.

MR. OLSTEIN: One of the difficulties that we encountered, different grantees attempt to take a nationally applied methodology, and when you apply it to some 10,000 different local government agencies, you're bound to run into some very unique situations that don't limit themselves to that type of situation.

We still have the Congressional statement. That's on its way.

I think what we'll do is probably adjourn to quarter after one and, at that time, hopefully, either the Congressman or his representative will arrive.

(Recess.)

MR. GALL: I'd like to thank everyone for waiting around for us this afternoon. As you probably know, Congressman Murphy intended to be here, but unfortunately was unable to attend. A member of his staff has just dropped a statement that he had prepared to deliver at this public hearing. Since you've all borne with us over the last two hours and saw fit to come back and sit down and wait it out, I think it's only fair that I read this to you.

So this is the statement of the Hon. John M. Murphy, on Industrial Cost Recovery Hearing, dated October 18, 1978:

"I am pleased to have this opportunity to testify on the future of the Industrial Cost Recovery program, a system mandated by the Federal Water Pollution Control Amendments of 1972, Public Law 92-500. Section 204 of this Act requires that industrial users of publicly owned sewage treatment plants repay that portion of the cost or construction of these plants necessary for treatment of industrial wastes.

These assessments are determined for individual industrial users on the basis of the characteristics of their use including strength, volume and flow rate. Regulations issued by the Environmental Protection Agency require that the grantee -- that is the municipality -- recover the federal cost within a period of 30 years and to refund 50% of the amount collected to the federal government. The reamining 50% may be used by the grantee for the administration of the program. Federal grant payments are halted if a grantee does not develop and then administer an approved system.

The Federal Water Pollution Control Amendments of 1977 authorized the deferral of the Industrial Cost Recovery program for 18 months and required E.P.A. to submit a comprehensive study of the ICR system no later than December 31, 1978. These public hearings are a part of the final information gathering phase of these investigations.

The ideal of Industrial Cost Recovery is laudable; requiring industrial users to bear the financial burden of providing their sewage treatment facilities. However, the realities of implementing the program have shown it to lack a uniform, national level of standards, to be less than cost-effective, and in many cases to engender more problems than providing benefits.

The United States General Accounting Office recently conducted a review of the E.P.A.'s efforts to implement ICR systems. This review found many problems with the system. In a letter to E.P.A. Administrator Douglas Costle dated April 11, 1978, Mr. Henry Eschwege, Director of the Community and Economic Development for GAO, outlined the following difficulties, and I quote from that letter:

'...grantees were inconsistent in determining which industrial users should be included or excluded from industrial cost recovery systems. In some cases grantees had gone beyond the authority of the regulations and had improperly excluded industrial users by establishing arbitrary cut-offs...

'Grantees also had differing interpretations of the type of waste subject to industrial cost recovery...As a result of these practices, similar businesses and industries have not been treated consistently by the various grantees, and many commercial enterprises have not been charged industrial cost recovery.

'We also found the E.P.A. has approved industrial cost recovery systems wherein the costs incurred by the grantees to develop and administer the systems exceeded the amounts to be recovered from industrial users through industrial cost recovery payments.'

These findings show serious inequities within the program. The first two could, no doubt, be solved with a more specific and coherent declaration by E.P.A. of the intent of its regulations. The third issue of cost, is a more philosophical than structural consideration and represents my prime reason for concern with the ICR program in its present form.

The costs required to develop, administer and implement an ICR system far outweigh the benefits in most situations. New York City estimates the development of an ICR system for its industrial users could cost upwards of $10 million over the next three years.

At present, there are 12 operating sewage treatment plants in New York City. None of these were built with Public Law 92-500 funds and are therefore not a part of the ICR program. However, two new plants are planned, North River in Manhattan and Red Hook in Brooklyn, as well as three plants which need upgrading or modifications, New Town Creek, Owls Head and Coney Island.

All of the federal funds for these projects will no doubt come from 92-500 and therefore be subject to industrial cost recovery.

The cost of these five projects will run somewhere in the neighborhood of $1 to $1.5 billion. The City estimates that no more than 5% of the use of these plants will be industrial. This means that to recover the the federal share of approximately 75% -- that is

$750 million to $1.1 billion -- will cost the industrial users approximately $56 million.

Now $56 million is not a lot of money to the federal government, but it represents a tremendous obstacle to those small businesses in New York City who would have to "repay" this cost. It is important to remember that industrial users of sewage treatment plants are not getting a free ride; they pay user charges of 25% of their water bill as well as a surcharge if their flow is over a limit established by the City. To require them to foot an additional charge would in this time of economic uncertainty, force many of these businesses to close. New York has one of the highest unemployment rates in the City -- country. To take any action which would increase unemployment or drive industry out of the area could only be termed suicidal.

In addition, of the money the City is required to collect, the $56 million, it is only allowed to retain 50%, or $28 million. It has already been estimated by the City that to develop the program will cost approximately $10 million. This leaves only $18 million to provide for 30 years of field investigations, computer programming, laboratory analysis, equipment and personnel. It is obvious that in New York City's case the program is not cost effective.

Perhaps in areas of high levels of industrial use where bigger treatment facilities are required primarily to handle industrial wastes, the ICR program would be both beneficial and cost effective. In these cases with more users to share the repayment burden the cost per individual user would be lower and therefore easier to bear.

It is always difficult to balance the economic and environmental concerns. We can and must re-evaluate and re-structure the ICR program with this consideration in mind. Thank you."

MR. GALL: That's the complete text of the Congressman's presentation for this morning -- this afternoon.

Should anyone else, or if you have any more questions on what we went over briefly this morning, I'd like you to ask them now. If not, I'd like to adjourn for the day.

(No response.)

One last thing that we haven't mentioned here today. Should anybody feel a need to speak in a public forum, such as this, within the next two weeks, there will be opportunities this Friday in Philadelphia at the Ben Franklin Hotel, the Garden Terrace Room, that will be starting at 10:00 a.m.; and next Tuesday and next Wednesday in Boston, Room 208 of the John McCormick Post Office and Courthouse; that's in Post Office Square.

Additionally, on Thursday of next week there will be a similar hearing in Atlanta at the Civic center and also to start at 10:00 a.m.

So, I'd like to thank you all for coming here today and bearing with us and coming through with us.

I remind you, have you any comments that you want to make for the record, and in writing, that they should be delivered to EPA and Coopers & Lybrand's no later than the 6th of November.

Thank you.

Whereupon, at 2:00 p.m. the hearing in the above-entitled matter is adjourned.

ICR HEARING ATTENDEES

1.	Edward J. Brouillard II	Bergen County Utilities Authority
2.	Kenneth Stoller	EPA, Region II
3.	Margaret Davis	EPA, Region II
4.	John Gall	EPA, Region II
5.	Michael Townsley	Coopers & Lybrand
6.	Robert Wheeler	Grumman Aerospace Corp.
7.	Joseph R. Greeley	Dvirka & Bartilucci
8.	James A. Hulme	American Cyanamid Corp.
9.	Richard Sedlak	Soap & Detergent Association
10.	F. James Wound	Warner-Lambert Company
11.	William McCabe	EPA, Region II
12.	Douglas Tozzoli	Parsons, Brinckerhoff, Quade & Douglas
13.	A. W. McKenna	Wiendiel Engineers, P.C.
14.	Paul E. Peters	American Bakers Association
15.	Matthew Foster	County of Nassau, DPW
16.	Robert Caddell	Westchester County, Dept. of Environmental Facilities
17.	William H. Wechter	Greeley & Hansen
18.	N. Gilbert	Lobsenz-Stevens, Inc. (for CTL)
19.	M. Hunter	EPA, Region II
20.	Myron Olstein	Coopers & Lybrand
21.	G. William Calascione	Pollio Dairy Products Corp.

22.	Paul R. Paquin	Hydroscience Incorporated
23.	Irwin Novick	N.Y.C. EPA, Dept. of Water Resources
24.	Martin Rivlin	N.Y.C. EPA, Dpet. of Water Resources
25.	Joseph T. McGough	N.Y.S. EPA, First Deputy Commissioner of Envir. Protection
26.	Douglas H. Starr	Thomas J. Lipton, Inc.
27.	Mae Wong	N.Y.C. Staff of Congressman John M. Murphy
28.	William Lauer	Clinton Bogert Associates

ORIGINAL

INDUSTRIAL COST RECOVERY PUBLIC MEETING

- - -

Benjamin Franklin Hotel
Philadelphia, Pennsylvania

Friday, October 20, 1978

The public meeting was convened at 10:06 a.m., Tom Maher presiding.

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DJG

P R O C E E D I N G S

MR. JOHN GALL: Good morning, ladies and gentlemen. I think we would like to start this program off at this time. My name is John Gall. And, although I normally work out of EPA's Region I office in Boston, I have over the past six months been associated with the development of the Coopers & Lybrand industrial cost recovery study mandated by the 1975 Clean Water Act. And my purpose today here is essentially to provide a link between EPA headquarters and the public hearings that are being held.

At this time I would like to introduce Greene Jones, the Water Programs Division Director for Region III, who will be providing us with opening remarks.

MR. GREENE JONES: Thank you. I'd like to welcome you to Region III in Philadelphia on behalf of Jack Stramm, the regional administrator, who unfortunately is out of town or he would have been here. But, nonetheless, I can speak with confidence that he considers this public meeting very important. The subject of ICR is very important, as indicated by Congress, and also by the emphasis that EPA is putting on this program, this reevaluation investigation into aspects of ICR.

I truly hope that this meeting provides a forum to getting meaningful comment. It is a public meeting. A record will be kept. And I can assure you that your comments are valued, they're welcome, and I certainly hope that there is a free and open exchange of your ideas to the Coopers Lybrand and also the EPA people.

I'm not going to take a lot of time on the program other than to reiterate I welcome you on behalf of Jack Stramm in Region III. I'll now turn the program over to Tom Maher, who will get into some of the mechanics of the program and will get on with it.

CHAIRMAN MAHER: Thank you, Greene. I'm Tom Maher, the Region III, user charge expert. And I'm just going to give you a little background, preliminary to the Coopers Lybrand presentation of their national study.

As you all know, user charge was fairly well recognized as being necessary to ensure the economic viability of a treatment system, that there be sufficient funds, and that it be operated properly. We haven't had a great deal of controversy on the user charge aspects.

There has been some discussion and controversy and misinformation, anxiety, if you will, on the impact of the industrial cost recovery system, which is why we're here this morning. As you know, the Congress in Christmas of 1977 made some amendments to the Clean Water Acts, and they decreed that there would be a study done of the need for and the efficiency of ICR. And EPA in its wisdom I think chose wisely in choosing Coopers & Lybrand, which is one of the country's largest CPA firms. The reason that Coopers & Lybrand was chosen to do this work was that they were already immersed in this subject. They had a record of objectivity, as did a number of other firms in the field. They were, because of this and their professional staff and their ability to start up quickly on a project such as this sort, having already been in-house on user charge ICR work previously, would have a greater deal of acceptance with industry, municipality and state governments, and EPA, as well as the Congress. So, we could get off the ground quickly with them, and they have been going around the country in the last--I think they started here in August. It wasn't too long ago. There's a rather short time frame on this--talking with industry, state, municipalities, and trying to respond to this congressional mandate that was outlined by Congressman Roberts.

I'm going to give you--and you have a copy of this--but I'm going to paraphrase some of this that was placed in the Congressional Record, so that you can have a better framework, let's say, for applying some of these questions that he raised to your local situations as you know them, either as consultants or as industry representatives; and if something rings a bell in the comment that's here or you have an instance or an example or an experience, why we would like to hear from you because, as Greene has already commented, this is the major reason why we are here today.

Congressman Roberts on Devember 15th entered into the Congressional Record nine questions, which are the basis of this study, and I will read you his opening comments. "It has long been the intent of Congress to encourage participation in publicly owned treatment works by industry. The conferees are most concerned over the impact the idustrial cost recovery provision of existing law may have on industry participation on these public systems. Accordingly, the industrial cost recovery study, Section 75, has been incorporated in the conference report, and EPA is encouraged to submit the results of the study as soon as possible so that Congress can take action on any recommendations that are forthcoming."

And then he went on to say, "It is expected that the Administrator of EPA will consult with all interested groups in conducting this study, and that the study will address at least the following questions:"

First, is there any discrimnation against particular industries? And I notice we have a strong representation today from the food processing group, which are heavily represented here in Region III.

Is there any impact, small town versus big city? That would be employment, economic inducement to move in, out, that type thing.

Secondly, what disparaties in ICR and user charges vis-a-vis employment opportunities are represented in this program?

Thirdly, does the ICR program drive industry out of municipal systems?

Fourth, does the industry pay more or less for pollution control than direct dischargers?

Fifth, does the ICR program encourage conservation of water?

Sixth, is there ICR program cost effective?

Seventh, how much revenue will this program produce for state, local, and federal, and to what uses will it be put?

Eighth, what is the administrative cost of this program on the local grantee and EPA and the industries themselves who have to respond to this mandate.

And, ninth, should small industries be exempt?

We're going to go into some of these matters. And Coopers & Lybrand and some of our own national people, John Gall and Myron Olstein, who is on the left of the table here from Coopers Lybrand, and Mike Townsley, who is also from Coopers Lybrand, have been going around the country in our ten regional offices, holding similar meetings like this. And they have come up with some preliminary findings, alternatives, some proposed answers to questions, and you have some of these in your hands now. So, without any further comment, I will turn this over to Mike Townsley of Coopers Lybrand to brief you further. Mike.

MR. MIKE TOWNSLEY: Good morning. I'd like to tell you a little bit of the methodology we went through in collecting information for this study. I have been responsible for the data collection effort in mostly the eastern half of the country as well as a lot of the industry survey forms that were sent out.

I'd like to go to the background of what we did and give a little narration on why we did it.

When EPA first asked us to conduct this study, our first step was to read the '72 legislative history related to user charge and industrial cost recovery to find out exactly what ICR was supposed to accomplish.

Stated very briefly, there were two major objectives contained in the legislative history. The first was equity or the equalization of the assumed economic advantage of those industries using a public system as opposed to those industries treating their own sewage.

Second was the capacity or the appropriate sizing of waste water treatment plants with adequate but not excess future capacity.

A third objective but not nearly as critical or important as the first two was to encourage water conservation. This background material, together with the legislative history related to the 1977 act and especially Congressman Robert's questions that we just went over and Congresswoman Heckler's emphatic statements on ICR served as a frame of reference for us to plan the study. Our initial step in May of this year was to get together with EPA personnel, including John Gall, John Pai, Ted Horn from Chicago, and put together a shopping list of every data element that we thought would be essential to answer the questions that were raised.

We took this list of data elements and converted it into two draft survey questionnaires, one for industries and one for grantees. We then reviewed the industrial questionnaires with the Food Processing Association, the National Association of Manufacturers, and other industrial associations and groups who made some more refinements.

After we had completed our questionnaires, we developed a survey list. We compiled with the EPA regional office help a list of about 100 cities to visit. These cities ranged in size from a few hundred people to New York City. We eventually visited about 120 cities, some of them more than once, when we ran into strong local interest in the area. Our standard procedure was to attempt to meet with the grantee or the operator of the facilities first, then with any local industrial people or with any local public interest groups later on in the day.

We mailed our surveys out to the grantees in advance so that they would have an idea of the types of data we were trying to collect. We stressed that participation in our survey was voluntary. In many cases we would leave a blank survey with the grantee and have them send it back to us later after we had gone over the questions with them.

We then put together a list of over 200 cities that we were going to survey by telephone. We used the same questionnaires, talked to them in advance, sent the questionnaires to them, and then collected the surveys from them later.

We selected a group of five, and later six, industries for a detailed study; and we were interested in all industries, but we picked these five or six because of certain characteristics that made ICR more important to them. The characteristics we were looking for were labor intensive, a low operating margin, high water usage, a significant size of industry in the total economy of the country. We were looking for some seasonality in the activities and varying degrees of pretreatment available.

The industries that we selected to concentrate on were the meat-packing, dairy products, paper and allied products, secondary metal products, canned and frozen fruits and vegetables. The sixth industry to be added was the textiles.

A list of establishments in these industries in the cities we were going to visit were picked. We called them to ask them to participate and mailed the questionnaires to them. We did basically all of our data collection within a six-week period, starting in late July, running through August and even into September. At times we had up to ten teams of consultants on the road visiting various grantees around the country.

The second step in our study was to develop a mechanism for public participation in the study. We wanted as much grass roots involvement as we could get. We wanted an open study really. We put together an ICR advisory group of approximately 40 individuals, representing industrial, environmental, civic local government, and congressional interest, and relied on them to keep their local members informed of what was happening and when it was happening and where it was happening.

We held monthly meetings in Washington with transcripts of the meetings mailed to anyone who was interested.

The third step in our project was to summarize and analyze the data we had collected. This step is going on right now. We're summarizing, analyzing, and trying to figure out what it means. We have looked at enough data to be able to formulate some possible alternatives to ICR, as it is presently constituted.

The purpose of our meeting today is to relate to you what we found and to get your reaction to it. After we have completed our regional meetings--and we will be holding them all of next week--we will put together a draft final report which we will circulate. This will be some time in mid-

November. In December we'll begin to write our final report which must be delivered to National EPA and then to Congress later in December. Our final report will contain our recommendations to Congress as can be modified by National EPA.

Before we get into our findings and conclusions, which will be covered by Myron, are there any congressional representatives present, staff members or anyone?

MR. CLARK: We didn't hear what you asked for.

MR. TOWNSLEY: From Congress, staff members from any congressman? [No response]

I guess not. All right, then, we can proceed with what we have found and what we think it means with Myron Olstein.

MR. MYRON OLSTEIN: Good morning. I'm going to be discussing some of the findings in our study, what we think they mean, and then to present some possible alternatives.

The data and statistics that I'll be using are based on the results of our survey effort and are currently still being studied, validated, and updated in our Washington office. Some of the data was summarized in the handout entitled, "ICR Study Data" that was up at the front table, dated October 10th. I believe you all got a copy of that.

The final version of the data analysis will be appended to and included in our final report.

I would caution you that the data you have is mostly average data and requires very careful thought before using.

We eventually received data from 241 grantees. That's data coming from those places where we actually visited. We obtained some data through telephone surveys; that was not as complete or precise.

In addition, we received data from some 397 industrial facilities, much of that through the effort of trade associations. The industrial data is at the plant level rather than at the company level.

Taking a look at the things that ICR was supposed to accomplish, the idea behind the '72 Clean Water Act, let's take a look first at the issue of equity or the assumed economic advantage--that is, lower sewage costs for industries using POTWs as opposed to those treating and discharging their own waste.

To examine that, we utilized a computer model that we developed for our industrial clients and modified it to reflect user charge and ICR. Basically the model incorporates equiations which reflect the cost of doing business and enable the company to evaluate alternatives--in essence, a make or buy decision. Should the company use the POTW or should it treat its own sewage?

What we found was that for medium and large industries having compatible wastes it's cheaper in the long run to self-treat, even without including ICR--this just due to user charges. This we feel is a very significant finding because it means that even without ICR or pre-treatment costs, large industries should, from a purely economic standpoint, treat its own sewage. The reason for this is due to a number of tax changes that were not known to the Public Works Committee in 1972. These were subsequent changes in the tax code established after 1972, and they include such factors as accelerated depreciation for pollution control equipment, investment tax credits for capital equipment, and the use of tax-free industrial development bonds to finance self-treatment facilities.

There have been some tax-law changes passed very recently which I haven't had a chance to analyze, but I believe it should make it even more attractive to industries to self-treat because of an increase in investment tax credits.

Basically what this boils down to is that for many industries it's cheaper to self-treat than to use a POTW.

However, in our survey we found that there was still very substantial use of POTWs. And if it is in fact cheaper to do so, why don't more industries self-treat?

We had discussions with a number of decision-makers in industry, and basically we came down to a number of reasons. Many are not located geographically on or near receiving rivers or streams and are just forced to use a POTW. In many cases they didn't want the hassle of self-treatment, having to get NPDES permit, operating their plant, that sort of thing. And, finally, UCICR has just not been in effect long enough for anyone to see and evaluate its impact.

The significant thing to bear in mind though is that if ICR and pretreatment costs are added on top of user charges, they could prove to be the final straw driving many industries out of POTWs, thus making it more expensive for the remaining POTW customers to use it.

In particular, EPA's application of pretreatment standards is likely to make many industries consider self-treatment.

Going back again to the '72 Clean Water Act, the second major issue or objective was that of POTW capacity. ICR was supposed to be a capacity limiter. Based on the survey of 241 waste-water treatment facilities, from which we obtained data. The average POTW uses only 68 percent of its design capacity. The range is from a low of four percent to a high of 120 percent. It appears that ICR, as presently formulated, has not acted to put a cap on the construction of excess future capacity of POTWs.

The third issue, that of water conservation, is not quite as clear. Based on the industries we surveyed, water consumption has dropped an average of some 29 percent. The industries with whom we talked attributed their water conservation to higher water rates and to user charges, not to ICR, the reason being that ICR as a percentage of the total water and sewer bill is still not that significant at this time.

Then moving on to the specific questions that were posed by Congress, the ones that were voiced by Congressman Roberts, the economic impact of ICR to date is not very significant in most localities. The reason behind this is that ICR has not been in effect for more than a year or two in most places; and, in addition to that, most grantees have suspended ICR billings while the current moratorium is in effect. The exception to the insignificance of ICR is in those cases where there are seasonal users and/or where advanced waste-water treatment is a requirement. In those cases total sewage costs for industries have increased by a factor of several times.

The incremental impact of ICR above user charges is generally not great, once again with the exception of those two cases I just mentioned, seasonality and AWT. The combined impact, however, of user charge and industrial cost recovery can be very significant.

We were able to find only a few scattered instances of plant closings due to sewage costs, none of which were attributable solely to ICR. The total number of jobs lost in those plants that did close was less than a thousand. And in every case where there was a closing, there were a number of other factors that were involved, such as plant age or that sort of thing.

ICR rates tend to be somewhat higher in older cities, particularly in the Northeast, and also tend to be somewhat higher in small to medium size cities, and of course in agricultural communities where you have the bulk of seasonal users.

There does not appear to be any impact of ICR on industrial growth patterns to date.

We were not able to differentiate the impact of ICR on small versus large businesses because very few industrial plants were willing to disclose production or sales data.

The cost to industry of sewage treatment is somewhat greater by some 50 percent in AWT plants as compared to secondary plants.

Getting down to the last few issues, the ones that affect the grantee, the incremental cost to grantees of maintaining and operating the ICR systems--that is, the purely eliminatable costs of ICR above and beyond user charge costs--is small when compared to the total cost of the sewage operation. It averaged about $15,000 per grantee per year.

The average ICR revenues per grantee per year are approximately $88,000, of which $8800, ten percent of that amount, is retained for discretionary use by the grantee.

There is some more data which might be of interest to you that's included in the handout, and both Mike and myself would be pleased to discuss specific data during the question and answer period at the end of this meeting.

To go back and summarize our findings and conclusions very briefly, ICR is not doing what it was supposed to do, the congressional intent back in 1972, from either a parity, capacity-limiting, or water-conservation standpoint.

ICR to date has had no significant impact on employment, plant closings, industrial growth, import-export balance, or local tax bases.

ICR is not proving cost effective in producing revenues for local or federal governments, at least in most cities. We must realize, however, that the Clean Water Act had societal as well as economic objectives. Among other things, Congress was attempting to avoid the appearance of using public money to subsidize industries that discharged into grant-funded POTWs. And while our studies have shown that the economic objectives of the act have not been met, the societal objectives remain.

Accordingly, it is appropriate to consider a series of alternatives to ICRs that now exist. I believe most of you picked up a document on your way in entitled "Preliminary Compilation of Possible Study Alternatives," dated October 10th. That document contains some 16 alternatives, which range all the way from leaving ICR as it presently is to the outright elimination of ICR. As you go through that list in light of our findings, I'd like to point out that the alternatives are not mutually exclusive. They could be combined; any number of combinations are possible.

What I'd like to do at this time is have a ten-minute adjournment, give you a chance to review that, to review the alternatives. When we come back, I'll proceed through the alternatives, just discuss them briefly, and from there we will move on to prepared statements and then questions and answers. So, we will meet again at a quarter of 11:00.

[A recess was taken from 10:35 to 10:50 a.m.]

MR. OLSTEIN: Before we get started, I'd like to introduce one other gentleman that's at the head table. Tom Moran is the headquarters UCICR expert. For those of you who might have had discussions with John Pai, Tom is going to be replacing John in that position.

One other point I'd like to make. Sometimes when people go to a public hearing, as you walk out you might think of something that you wish you had said. We can take comments, if they are sent to us in writing, all the way up to November 6th, and they will still get into the public record. The best way to do it is to send the comments to Tom Maher at the EPA Regional Office. And if you could also send a copy to me--you know, put my name on the front of it, Myron Olstein--at Coopers & Lybrand, 1800 M Street, Northwest, Washington, D.C. 20036, any time up to November 6th.

QUESTION: How do you spell your name?

MR. OLSTEIN: O-L-S-T-E-I-N.

QUESTION: That address again, please?

MR. OLSTEIN: 1800 M--M as in Michael--Street, Northwest, Washington, D.C. 20036

QUESTION: 20036?

MR. OLSTEIN: Right.

I'd like to, if possible, just deviate slightly from what we have done previously. In the past I'd run through the alternatives, and then we would go to the prepared statements. And by the time we got to the questions and answers, I guess everyone had forgotten these alternative approaches to ICR.

Maybe what we can do is go through these alternatives one at a time and take any questions that you have relative to each one, or comment that you might want to make on a specific alternative, and that way be able to go through these in a little bit more detail.

The first alternative would be to just abolish ICR. Obviously that would eliminate all of the complaints that prompted this study in the first place--the double taxation, inconsistency, the lack of cost effectiveness of ICR. But it still wouldn't deal with the societal reasoning that Congress had when it implemented ICR in the first place. Also it would be just an additional control taken away from the capacity problem. It would be one more thing taken away that would limit capacity.

Sir. Could I ask you to stand up? We are taking a record of the proceedings. If you could give your name and affiliation first.

MR. KANE: My name is John Kane. I'm with Chester Engineers. I'm here to request the pamphlets. I don't believe the advantage or the disadvantage of saying that ICR control design parameters is true. There are other factors in the review process on design and facility planning that have far more impact. That is just an untrue statement.

The ICR revenues returned to the Federal Government--I wonder how much $25 million a year means to the Federal Government or even as a percentage of this program. $25 million on the total federal budget doesn't sound like--I got that $25 million from your statement that the government is going to receive from point five to one billion back. I presume that is over 30 years.

MR. OLSTEIN: Right. Our estimate was approximately $1 billion over the 30-year period.

MR. KANE: This observation of question seven says point five to one. Using the midpoint of that of $750 million, divided by 30 years, gives $25 million a year. That's the only comment.

MR. OLSTEIN: John Gall.

MR. GALL: I'd like to try to address the problem that you brought up about capacity. I think it's obvious that we recognize that ICR cannot control all of the future capacity. Quite clearly the issues of growth in any one area, both at the institutional, the commercial, and the domestic level is probably really the dog as opposed to the tail. Yet the most recent cost-effective guidelines that were published by the agency attempt to address the problems of sizing those factors or those components of the design flow of any particular facility.

I think what Coopers & Lybrand has said this morning--or I know what Coopers & Lybrand has said is tried to reiterate what was perceived as the intent of ICR way back in 1972, that it would act as a limiting factor for the industrial sector in that we would not have industrial component built without due regard for the financial impact both on the municipality and on the specific plant via the mechanism of ICR. So, I think your point is well taken in that ICR couldn't control all growth. But I think you have to recognize that the intention was in the beginning that it would have some impetus to make industrial planners cognizant of the problems that could come forward in the future.

MRS. HATHAWAY: The only trouble with that argument is that industries' ICR is not really developed until late in the step three process, long after the plans are cast in concrete in fact. So, an industry usually isn't involved. They can be, of course, but usually are not involved until quite late.

I have another--

MR. GALL: Could I respond to that?

MRS. HATHAWAY: Sure.

MR. GALL: That's a very salient observation. And again I think Coopers & Lybrand have said it was the intent of Congress that ICR would act as a cap on future growth. I think one of the problems was, if you looked at the way the agency implemented ICR, there was no possible way that it could have acted in that manner. However, again the new current cost-effective guidelines do attempt to address the issue by letters of commitment at the step one stage. Hopefully we can get the industrial sector in earlier in our planning process.

Second one.

MRS. HATHAWAY: You mentioned that if ICR were abolished that certain other societal objectives of the

Congress would not be met. Could you go into that a little more?

MR. OLSTEIN: There's a very strong feeling in Congress--there was in '72 and there still is--that if you establish a grant program that would benefit industry, unless it's done totally across the board, there has to be a mechanism, to the extent that it's possible to do so, to eliminate those specific benefits. That's what I refer to as a societal objective. And I think we're not dealing with anything we can quantify here. But that's what Congress wants to do. And if we just outright abolish ICR, those legislators on the Hill that feel that way are going to feel that we have taken something away from them.

Let me add one thing. When we came up with the list of advantages and disadvantages, we tried to identify the things that are going to be argued on either side for each point. We're not supporting them or we're not even attesting to the validity of some of them. But I think these are the types of arguments that you would be hearing relative to each one.

And, if I could make an observation, there's still--there is a lot of reluctance on the Hill, I think--that is a purely personal opinion--to abolish the ICR. If we could prove beyond any doubt that it's not doing anything that they wanted it to do--there is still a sentiment for having something, whatever it is.

MRS. HATHAWAY: It does occur to me that there are ways to quantify some of the societal benefits or to get at the equity issue, which I think that was the word that was used, in the '72 act. Direct dischargers have to pay for all the capital costs associated with their treatment of both what we could call compatible and incompatible wastes. And industrial dischargers discharging to a municipality--75 percent of their portion of the capital cost is an interest-free loan. It seems to me that there would be some way of getting at the amounts that are represented in those different treatments of those capital costs.

MR. OLSTEIN: I think--I forget what city it was in, but in the air program, for example, they are attempting to do something like that, an individual computation of air quality. I forget which specific regulations it is. But the annual costs of delaying the installation of certain air equipment--they actually go through a very detailed computation like that. I think with the large number of individual plants that we have and the fact that each one of those things would be a unique computation, it might get--it's an interestir approach. It might get very burdensome going through that calculation each time.

Is there another question relative to the first one? [No response]

The second alternative is a very specific approach to dealing with the capacity issue. And basically it would base grant funding on a sliding scale beginning at 75 percent based on current capacity, and that percentage would then decline, would drop for amounts above current capacity. The way this particular alternative is put together, ICR would remain pretty much the way it is under current regulations. And the arguments that would be forwarded for it would be this would be a way of encouraging more planning on the front end to reduce the amount of uneeded excess capacity, and would also serve to encourage industry participation at that stage.

Obviously for large, rapidly growing areas it's not going to be very cost effective. It's going to put a strain on the local share that has to be raised. And it's obviously going to result in a very large local share for the building of treatment works larger than are currently required.

Let's also take a look at three in the same thing because three is just a variant of that which would base the sliding scale on current domestic usage. Obviously in alternative number two you would still have ICR. In alternative number three, because a grant is based only on non-industrial usage, ICR could be eliminated. Arguments are pretty much the same on both sides for either one of them.

Any comments on those two altetnatives? [No response]

Number four is an attempt to simplify the ICR computation and limit it strictly to treatment works. For a number of grantees it would really simplify the administrative burden, and of course it would reduce ICR revenues.

Sir.

Mr. KANE: Is there any quantification of that reduction? With that simplification on a large system that has been growing where you have an interceptor system and maybe you have a link out here that has a grant, plus a lot that doesn't, and you go to systemwide ICR versus project by project, you've got a tremendous detail problem. But if you eliminate the interceptors and go to treatment works only--in large systems you're going to have more than one treatment works probably, a central plant and maybe some satellite type plant--that's going to be difficult enough without having various and sundry remote linkages of interceptor sewers involved.

MR. OLSTEIN: I'm sorry. The data that came back to us wasn't broken out that way. So, we couldn't come up with an estimate.

Alternative number five is an attempt to deal somewhat more head-on with the equity issue, and that would change the basis from a purely proportional basis to an incremental cost basis, the idea being to permit industry to receive the benefits of economies of scale as well as the existing non-industrial users. And while this is not an unusual approach in some regulated utilities, the problem might be that with the state of the art of accounting and economic analysis in this area, it might be somewhat difficult to apply.

Jack.

MR. COOPER: I'm Jack Cooper from the National Food Processors Association. I think this alternative sort of makes sense if you can't get rid of ICR itself in that the community has certain costs whether there is any industry there or not. Why not let the community go ahead and plan and build its own secondary system and let the industry just pay for the add-on that's necessary for its treatment?

MR. OLSTEIN: Alternative six basically sets up a choice for the grantee as to determining whether or not the industrial portion of the treatment works would be grant eligible, and this lets a grantee make the choice as to whether or not he is going to have to bother with ICR. Theoretically this would also act as a capacity limiter or improved front-end planning in industrial participation in the planning of the works. It, however, will not eliminate the complaints of double taxation and the geographic disparaties that will continue to exist where ICR is elected.

Alternative number seven is an attempt to simplify the administration and the development of ICR rates and the administration of ICR by grantees by establishing uniform ICR rates. These uniform rates could either be by user class on a regional basis, whatever. But basically it would make the unit rates of ICR consistent throughout the nation for a given type of industrial customer. This of course would satisfy those people that have this strong societal objective. It would eliminate inconsistencies in rates, but it may turn out to be a very difficult thing to develop, to come up with the basic rates.

Alternative number eight, the circuitbreaker approach, is one that would try to recognize some very unique situations that occur locally, and basically it would be a floor for entrance into the industrial group, the group that would get affected by ICR; that could vary, depending on local circumstances, discharge levels, dollar level of ICR payments. I think we heard this morning about some ICR bills of eight cents. Obviously this would be a mechanism where you could implement a circuitbreaker that would say, you know, "We've got to be billing out at least a hundred or two hundred dollars to even make this worthwhile." This would bring more flexibility into the system, but it may not eliminate the inconsistency, once again the variance for the same industry in different locations.

Nine and ten, which are somewhat similar, basically act to reverse what the Public Works Committee tried to do; and what it does is in effect net out what happens by--on the one hand, you'd have an ICR payment, but then all the money would be given back in the form of a tax credit. This would of course resolve all the complaints of double taxation in the case of the ICR tax credit. But it may impose some additional administration problems.

However, when you get down to the bottom line, what you're doing is basically eliminating ICR. Maybe some objections related to that.

Ten extends tax credits to pretreatment costs and may tend to drive industry more toward pretreatment.

Alternative eleven will be a return to the requirements of 84-660, which called for industrial recovery of the local share of capital costs, a somewhat simpler thing to develop and administer; and it would of course leave all of the money with the grantee rather than having any sharing with the federal government.

Sir.

MR. KANE: You state that it is a disadvantage that it would encourage development of excess capacity, and I fail to see how that can happen.

MR. OLSTEIN: Howard.

MR. LOBB: Howard Lobb from Black & Veatch, Consulting Engineers. I notice that in several of our alternatives we have noted as a disadvantage the reduction in revenue to the federal government. Our analysis of the revenue that will be received from the federal government under the current ICR system is zero. So, I don't know how we can reduce the revenue.

In other words, if you do have an industrial custome_, for example, and he paid $1,000 for an ICR charge, this would be a direct deduct off of his net income. The type of industry that is going to be charged ICR is going to be in the 50 percent tax bracket; so, there will be a reduction of

$500 in the federal income tax they will receive. While they will get back $500, the municipality will retain $500, and the government will get back $500. So, the two things are offsetting, and the net effect of ICR on the federal treasury, as far as we can see, is zero, from the point of revenue, plus they have all the operating expenses associated with the program going on.

MR. OLSTEIN: That assumes of course everyone is at the 50 percent level; but it is a good point. I think wherever you see the phrase "reduce revenue to the federal government," you might also want to think about that societal objective too. That's kind of part of it. But it is a good point.

Sir.

MR. HEALY: Tom Healy from the Philadelphia Water Department. When you make your presentation to Congress, the federal EPA, on a formal basis, will you go to a definite dollar reduction to the federal government, assuming all branches of tax deduction from 10 to 15 up to 50 percent?

MR. OLSTEIN: The exact process that is going to take place will be--Coopers & Lybrand will prepare a final report that includes recommendations and associated calculations that goes to EPA. EPA then has to go through their own internal review cycle, and the actual presentation to Congress will be by EPA. I would assume that if EPA makes a very specific recommendation to Congress, that they would compute the cost, the net differences in revenues to the federal government, as well as at the individual grantee level. So, I would assume they'd do that.

I think we have enough data to make estimates; so, it could be done.

Alternative twelve would abolish ICR, would extend the proportionality requirement that currently applies only to OMN&R, to the local share of project costs. This would be a way of at least ensuring that there is not some kind of subsidization that takes place at the local level with the capital costs. On the negative side, it takes away that much more flexibility in rate design, and there may be some problem with bond covenants. In some cases it may actually increase the cost to the large industrial users.

And alternative thirteen would add an interest component to the current ICR requirements. One of the complaints that has been made about ICR is that basically it's an interest-free loan to industry. This of course would take away that particular objection. But the alternatives that include a much more rapid writeoff than a 30-year straight line and the investment tax credits that are currently available would start looking that much better.

Fourteen would just extend the ICR moratorium, postponing the date. And in a way some people have said it's awfully early in the ICR program to have made--to have come up with firm numbers with regard to the impact of the program. I think the earliest ICR system that was designed was in '73, but most have not been implemented for much more than one or two years. So, it has been rather early in the program.

Alternative fifteen is to maintain ICR in its present form. Obviously it doesn't require any changes, but it doesn't take away any of the problems either that resulted in the study.

Alternative sixteen is just a way to get at the capacity issue by requiring a letter of commitments from industrial users at the time the POTW is sized. It would theoretically encourage more precise planning. But it puts industry to making an awfully long-term commitment.

Sir.

MR. GALLAGHER: My name is Bob Gallagher. I'm from the Delaware Valley Regional Planning Commission. On that last point how do you account for industry that isn't there now? You know, if the community has so many acres zoned industrial and they size their plant based on that industrial acreage. Who pays for that?

MR. OLSTEIN: The--correct me if I am wrong--the 208 process is supposed to estimate when that industrial capacity will go on stream. If it's appropriate to size to some future requirement, until you get up to that point that cost has to be borne by everyone.

MR. GALLAGHER: Yes, but I guess what my question is, What is the difference between an industry that is there and paying and an industry that isn't there and isn't going to pay or won't pay till they come on line? And once the capacity is there, you could shift that from domestic users to industrial users, and there's no mechanism of checks and balances for that.

MR. GALL: I think one of the--if you're at all familiar again with the September 27th or 28th new cost effective guidelines--one of the clear directions that we're taking is the attempt to establish current needs, that is, based on what is there now, and future foreseeable needs in terms of actual types of commitments to come into an area, and then to allow, if you would, a marginal amount, ten percent, twenty-five percent, I forget what the numbers are, for future anticipated industrial growth. I think it's fairly clear from that guideline that the agency in the future is taking a very negative attitude towards putting out capacity for land that simply is zoned for industrial use yet has no firm commitment to be developed in a relatively short period of time. And that I think goes back right to the problem of excess capacity. I think that is the classic definition of excess capacity from the agency's viewpoint because if you have no again reasonable commitment to develop that amount of area within a short time frame, the result, one, is to extend certain capital dollars to construct a facility and, moreover, we find cost for operation and maintenance starts to grow proportionately larger, resulting in the existing users paying a larger share to finance future development which, in some cases in my own region, has resulted in people not tying into the sewer system because the unit rates then escalate to the point that people will try every possible way to stay off of a system.

MR. GALLAGHER: Part of the problem with that is that if the grants were made to local units of government, it would be one thing. But they're made to sewer authorities for the most part, and they are in the business of sewage treatment, and larger is usually bigger, and bigger is better as far as they're concerned. So, you need to keep that purpose in mind.

MR. GALL: Yes, I understand what you're saying, and I think you understand that the agency's position has started to become "smaller is better," and that is a continuing debate which I don't think we're going to answer here.

MR. OLSTEIN: There is one other alternative that was suggested at the Chicago meeting, and basically alternativ number seventeen would keep ICR the way it is, but it would keep all of the money at the local level--no 50 percent return to the federal government. The advantages are it obviously makes the revenue to administrative cost a much more reasonable looking number. It provides more dollars at the local level for the additional administrative burden associated with the industrial customers with things like pretreatment standards coming up, that sort of thing. And it would be a substantial help at the local level.

As far as the disadvantages, many of the disadvantages claimed for ICR exist, the disparities, the geographical differences, because you are calculating the charge the same way.

Sir.

MR. KULESZE: Tom Kulesze, Philadelphia Water Department. In the analysis of revenue received from the ICR city municipality, did you consider the fact that the revenue of 30 years each year would stay approximately the same, yet the collection and administrative costs would escalate pretty much with inflation? So that even though it may be cost effective now, in a couple years it may not be.

MR. OLSTEIN: I don't believe you can consider the numbers that came out of our study to be particularly cost effective. The so-called eliminatable costs for administration are higher than the revenues they get to keep. So, that's one point.

You are right. Many of the costs are labor-based costs. They will increase over time. However, many of the ICR collections will also increase because I believe most of the grantees that I saw anticipated more industry coming in.

MR. GALL: Not only that but more segments coming on line.

MR. OLSTEIN: That's right. You have to remember we were taking one point in time at really a relatively early point in this entire grant program. The ICR revenues that are coming in today are based on plants that were completed off grant money that began flowing really when--in '74? So, we're really taking a look at a very, very early point in this program. As the newer facilities that are currently being constructed go on line, those ICR revenues are going to go up. So, there is no doubt that the total ICR revenue number is going to increase much faster than the administrative cost for that reason.

Sir.

MR. COX: My name is Cox, C-O-X. I'm with the Pengerdel Corporation. I missed a couple of key words as you turned to the gentleman on the left, when you were saying, "Most of the grantees that we talked to anticipated"-- and from there on I lost it. Could you repeat that phrase?

MR. OLSTEIN: The total revenue recovery requirement, if you will, associated with ICR, in most of the grantees that we surveyed is still increasing at a relatively rapid rate because we've--you know, this is 1978. We're still at a very early point in the completion of these plants going on line. And that's when you calculate the ICR revenue requirement, if you will, so that that's still going to climb very rapidly.

Once again, when you look at any of these numbers on the data sheet, it's a very early point in a program that is this large to try to come up with really good hard numbers. And that's one thing I would really caution you about when you look at that data.

Someone in the back? Sir.

MR. CLARKE: Duane Clarke, Rohm & Haas. Does it increase because of more grants?

MR. OLSTEIN: Theoretically, as industry moves in, the larger the industrial usage of the plant, that will increase revenues also. But you've got a case where both the unit rates are going to go up and the total number of gallons to which those rates will be applied are going to go up. So, both are going to be taking place.

MR. O'BRIEN: John O'Brien from Matlack. Did Coopers & Lybrand say--maybe I missed something--did it find that ICR actually did discourage building excess capacity? Or weren't you able to determine that?

MR. OLSTEIN: What we found was what we felt was a very high level of excess future capacity. We tried to put it in perspective. I guess the--I know we only received surveys from 241 grantees. Those grantees happen to serve approximately half of the population. And so you're only using 68 percent of the capacity that exists in the plants that are serving half the population.

MR. O'BRIEN: So, that's one advantage or disadvantage that the intent of Congress didn't actually serve.

MR. OLSTEIN: As I said, there were a number of things in the minds of the legislators. This was just one of them. And when we put it to the test, if in fact it did have any role at all in limiting capacity, you would expect to see a number much higher than 68 percent out there.

Obviously there are a lot of other factors causing excess capacity. If ICR was supposed to be doing part of that job, it wasn't.

At this point, I will turn the meeting back to Tom Maher for any prepared statements.

CHAIRMAN MAHER: I did have a request that there would be a representative from Mayor Errichetti's office. Do we have anybody there?

Yes. Would you come up and read into the mic here so we can be sure to get that.

STATEMENT OF THE HONORABLE ANGELO J. ERRICHETTI

REPRESENTATIVE: I am here this morning to present a statement from Angelo J. Errichetti, the Mayor of the City of Camden, New Jersey:

Good morning. I appreciate the opportunity to speak to you today on the findings and preliminary conclusions of EPA's study of Industrial Cost Recovery.

Industrial Cost Recovery and User Charges are of great concern to the City of Camden. In fact, over the past several years I wrote to Congress pointing out the problems and inequities faced by our community because of the rigid EPA regulations pertaining to ICR and user charges, and that unless we obtain some relief these could adversely impact upon our employment opportunities and the City's overall redevelopment efforts.

I was disappointed that Congress did not obtain sufficient information to resolve this problem in the 1977 amendments. However, I was pleased that Congressman Roberts, in addressing this issue, raised very pertinent questions which, I understand, you are addressing. It is apparent, based on the proposed facilities to be installed by Camden County, that present regulations for ICR and developing user charges will create total sewage costs that are not on a parity with other local communities with whom we compete.

We urge you to indicate to Congress that communities such as Camden, which are economically depressed and have high unemployment, are being penalized when they are forced to require ICR and are not given freedom to develop user charges commensurate with their best interest in attracting employment. It seems incongruous that the Federal Government on the one hand provides programs and incentives for industrial development through grants to our Nation's cities but on the other hand regulates user charges which do not allow us to be competitive with other communities.

I request that you bring to the attention of Congress the plight of communities such as Camden so that Congress can enact the necessary legislative mechanisms to at least eliminate ICR for communities like Camden and to permit alternate mechanisms of developing user charges.

I believe that a program such as EPA's ICR and user charge programs should be subject to President Carter's Executive Order 12074 of August 16, 1978 calling for Urban Impact Analyses of major Federal actions. A program which would put older urban areas in a competitively disadvantageous position to suburban and newer developing areas would be inconsistent with the President's urban policy.

The City would welcome the opportunity to discuss this matter with you in greater detail.

CHAIRMAN MAHER: Thank you.

Do we have any other response or comments to what we have heard here this morning, either of a cursory nature or a considered nature? Yes, Gardner.

MR. COX: Did the Coopers Lybrand study include any quantification of the cost of the public hearing mechanism outlined in the August 7th Federal Register, which I presume would be an add-on to the administrative costs of of the grantee?

MR. GALL: I think that probably the specific answer is no, unfortunately. What Coopers & Lybrand attempted to do was to establish at the local level historical costs. We had not at that point in time talked about projecting future costs such as would be related to public hearings on UCICR. So that what they presented in terms of this average $15,000 per year related solely to those costs which grantees had indicated to us were historical or were their projections for the administration of ICR systems. Since most of the field work was done prior to August, although some was done after, I believe that we would not have seen any impact of the nature that you're looking for.

CHAIRMAN MAHER: I've looked at the list of attendees here, and we do have a fairly heavy representation from food and some of the local industry here. And I would like to ask at this time if any of those representatives would like to come forward and just give us some off-the-cuff comments or some specific examples of impacts upon their industries that are either located here or elsewhere.

I have had calls myself from time to time about plant impact in various areas, in particular Campbell Soup. I don't know where this plant was located. I don't think it was even in our region. But I would elicit your cooperation, if you care to, to give us some specifics of the impact of this program or whatever.

Yes.

MR. COOPER: My name is Jack Cooper. I'm with the National Food Processors Association. That may be a new name to many of you. We're really the National Canners Association. We just changed our name recently, and that may be more familiar to you.

I'm Jack Cooper. I'm the Director of Environmental Affairs. The National Food Processors Association represents mostly the canned food industry. Our members pack about 85 percent of the nation's canned food. I do have a statement that I would like to make on behalf of the industry, and then Lou Gilde from Campbell's Soup Company will present some specific ICR and user charge problems for his company, if that's all right.

CHAIRMAN MAHER: Sure.

STATEMENT OF MR. JACK COOPER

MR. COOPER: Over the last few years many food processors have seen alarming increases in cost for treatment of processing waste water by publicly owned treatment works as a result of the imposition of industrial cost recovery and user charge programs in comparison to competing firms which build and operate their own waste-water treatment facilities. Increases on the order of tenfold have been common where POTWs have implemented ICR and user charge requirements. These costs greatly exceed costs experienced by competitors which treat their own waste waters or which discharge into POTWs not funded with the PL 92-500 grant money. I am sure that many companies have already or will provide you with case histories, and Lou Gilde will also.

The initial data from an intensive study of food processing waste-water treatment costs by Coopers & Lybrand have shown that the cost per gallon for POTW treatment of food industry waste waters are two to four times those for self-treatment by land or other method.

One of the handouts in the back of the room is based on an intensive survey we did of our membership. We got something well over 200 individual plant responses from our members. We didn't analyze, but we made them available to Coopers & Lybrand, and they did. And there are three sheets there that show these costs going from two to fourfold.

We believe that ICR is not achieving the congressional intent of preventing industrial users of POTWs from receiving a subsidy because no such subsidy actually exists.

As the C&L data show, industrial users of POTWs are paying more for treatment than their competitors not in such systems. It was congressional intent that dischargers of conventional pollutants such as those discharged by food processing plants should be encouraged to utilize POTWs wherever possible. Unfortunately the combined ICR and user charges are having the opposite effect. Where combined ICR and UC charges are excessive a plant may stay in operation, but it may reduce its production at that site or certainly would not expand its production at that location. In order to restore competition between plants in urband and rural location and to encourage the obvious benefits of food industry use of POTW systems, the present ICR system should be abolished because, number one, the program has not encouraged food industry participation in POTWs and, two, the food industry has as much right as a private citizen to expect a return on its tax dollars in the form of assistance in waste-water treatment capital costs.

If total abolition of ICR does not occur or if the law continues to specify the manner in which waste-water treatment costs are shared between industries and municipalities, a more flexible system should be provided which would allow industry to pay as a minimum the incremental ICR and user charges incurred by their presence in the system. This incremental cost is the difference between the cost of a joint industry-municipal system and the expected cost of a system constructed to treat municipal waste water if that industry does not participate.

At this point I would like to introduce Mr. Lou Gilde, Director of Environmental Programs at Campbell Soup Company. After Mr. Gilde's presentation, we would be pleased to answer any questions.

STATEMENT OF MR. L. C. GILDE

MR. GILDE: As indicated, I am Lou Gilde of Campbell Soup Company, and I have a table here which I would like to give you and discuss briefly [handing].

If you don't mind, I'll turn around and face you since you're the only ones that have the table.

Basically what we are trying to show with this table is the disparities that occur within a company on the cost of treating sewage. We show, as the first example, a community--not a local but rather Sacramento, California. The only reason I'm showing that community rather than Camden is that Camden really hasn't developed its program far enough to come out with actual cost figures. From the information we've received from the Camden County Municipal

Utilities Authority, their costs appear to be or may be in the range of $800 to $1,000 per million gallons. But at this point in time it's too early to know, whereas our experience in Sacramento where the plant is under construction and will be in operation by 1980 or '81 at the latest, they've already spelled out the total cost, and that is $725 per million gallons. In that particular program, if we eliminate ICR, the cost to industry there would be reduced to $480 per million gallons. And we give a third figure there, that if we allow the community flexibility in developing user charges so that the industry is only charged the added incremental cost of treating sewage over that which would occur if it were just treating the domestic sewage, the sewage charge would reduce still further to $425 per million gallons.

We've made a list of other plants we have throughout the country. Another plant in California where the sewage charge is only $182 per million gallons. Two plants in Nebraska, one in Illinois, one in Arkansas, and one in Maryland. As you see, the average of those six plants is only $273 per million gallons versus the new program under Public Law 92-500 of $725. Now, these other communities have secondary facilities installed, operating under prior grant programs. And of course their costs reflect having been built much earlier. These are not the only plants that we have. We have deliberately left out plants wherein communities that achieved secondary treatment via less costly programs such as anaerobic, aerobic ponds. We have several installations where communities do that in the Midwest, and the costs are down, in the range of $150 per million gallons.

The other thing that is not on this table is the fact that of all our plants, approximately 40 percent we treat our waste ourselves. And our sewage costs where we treat our waste ourselves range from $55 to $250 per million gallons. It's interesting to note that the lowest cost ones are the ones that have the highest degree of treatment. And these are primarily land treatment systems. So that there is this--this provides an example of the disparity that is being generated by the present program and the fact that if we eliminate ICR and do provide greater flexibility on user charge, we can bring the cost more in line with what is prevailing in other communities.

I would like to comment briefly that one point raised this morning was that there doesn't seem to be much controversy on user charges. I think, as we go down the road here and communities start learning where they are coming out in comparison to other communities, there is going to be a heck of a lot of controversy on user charge. And just as important as ICR is, it should be important, as was mentioned in Mayor Errichetti's letter, to address the need for flexibility in user charge. Thank you.

CHAIRMAN MAHER: These dollar costs you have here. I believe are computee as your total million gallon cost for operation and debt--

MR. GILDE: Right.

CHAIRMAN MAHER: --of whatever cause and not necessarily the capital cost per million gallons of capacity at the plant.

MR. GILDE: No, they have nothing to do--they are what we are charged.

CHAIRMAN MAHER: Point off three and you would have cents per thousand gallons.

MR. GILDE: That is right.

MR. GALL: I don't want to make any point relative to the presentation other than to let you all know that the Campbell Soup experience I believe is part of the Coopers & Lybrand data that was presented to us by the National Food Processors; and, to that end, we would like to thank them greatly for their heop in the study.

CHAIRMAN MAHER: Thank you. I didn't mean when I said there is no controversy on user charge that there wasn't any impact economically and that there weren't vastly differing charge structures in other areas. I think Mike or Myron indicated that in some cases ICR is not the bugaboo. It's the user charge that impacts a local community. And that is quite true. You're quite correct. It depends on the level of capital input in that system and how big an expansion they are going under or how big an upgrade they're undertaking.

We have some representatives here I think from F. & M. Schaefer and Schmidts, Hershey Foods. Do any of you other gentlemen care to make any informal comments or even have any questions about what you've heard here today or can cite any experiences of your companies or your plants in this region or elsewhere?

MR. LA FRANKIE: Only a comment; Bill La Frankie, with Pet, Incorporated out of Allentown.

The Allentown people just went through a survey. I'd leave a copy. I only have one copy. Maybe you have seen it, done by Metcalf and Eddy.

CHAIRMAN MAHER: Yes. It has just been submitted for approval.

MR. LA FRANKIE: Our situation personally is the same as these gentlemen are talking about. It has to do with user charge more than ICR. In our case, as in the case of some other food companies in the area, it has to do with high strength charges also. That's the only comment.

CHAIRMAN MAHER: Yes. Many times the user charge surcharge is of greater impact, I believe, than the ICR, depending on the amount of exposure to the industry and the amount of capital being put in.

Would any of our consultants groups care to make any observations, particularly those from outside the region? Howard, you represent almost the whole country. What kind of flack are you getting?

MR. LOBB: From our standpoint, we've been in the waste-water rate business for some 60 years, and we feel that in general the user charge and industrial cost recovery program have not improved our business from the standpoint that many of the things that were proposed in the user charge in the user charge regulations are things that have been done by the industry for years. So, the user charge came along and it really didn't add anything. We are finding that the industrial cost recovery charge is an additional burden to industry; from the standpoint of a rate consultant, it represents a charge which the municipality must put on one group of customers for which it incurs no cost. So, from a true consultant standpoint, we cannot see the need for or the reason for the industrial cost recovery charge. For years there has been the concept that rates should be based upon the cost of providing service. The repayment of a grant in no way is a cost to the municipality and is in no way a cost that involves any of your service.

So, while we feel that the user charge system has merit, we believe that customers should pay their proportionate share of the treatment costs, we do not see any merit in the ICR program.

I do have a statement at some point in time that I am to present for the City and County of Baltimore.

CHAIRMAN MAHER: Why don't you make that now, Howard?

STATEMENT OF MR. HOWARD LOBB

MR. LOBB: Howard Lobb with Black & Veatch Consulting Engineers. I have been asked by the City and County of Baltimore, Maryland to make the following statement.

We wish to express our full support of the basic principles set out in the following resolution of the Association of Metropolitan Sewerage Agencies. And I might add off the record--[Comment made off the record.]

The Association of Metropolitan Sewerage Agencies' resolution is as follows:

The Association of Metropolitan Sewerage Agencies supports the elimination of ICR provisions from the Federal Water Pollution Control Act, Public Law 92-500, and the Clean Water Act of 1977, Public Law 95-217. Until the ICR requirements of the law are eliminated, the Association of Metropolitan Sewerage Agenies urges EPA to develop regulations for the program that are consistent with the spirit and intent of Congress's recent amendments to Public Law 92-500.

We have listed three points of rationale. The first point is that there is no practical benefit to be gained from making the program more complex, or from expanding the definition of ICR-eligible discharges to include sewerage customers that are not normally considered "industrial."

Two: Major Changes in the present regulations--outside of those mandated by Congress--could be invalidated by the findings of the ICR study and subsequent acts of Congress and would, in the meantime, only delay fulfillment of the final requirements as treatment agencies struggle with yet another series of regulatory revisions.

Three: ICR requirements will work against the general objective of revitalizing America's central cities, since the

ICR program makes joining or staying in municipal systems more expensive than would otherwise be true. As all industries are federal taxpayers, it is unfair to require them--and only them--to reimburse the federal government for 201 grant monies spent on their behalf if other users are not asked to do the same.

That is the conclusion of the Association of Metropolitan Sewerage Agencies' resolution. In addition, it is the opinion of City and County of Baltimore that, one, from the standpoint of the waste-water utility, the Industrial Cost Recovery Program is not cost effective administratively; two, the industrial customer is already meeting its share of waste-water treatment costs through user charges, plus facing the additional burden of pretreatment requirements. The additional costs of ICR can only be a further detriment to industries in our area.

That's the conclusion of the statement.

CHAIRMAN MAHER: Thank you.

We do solicit your comments and statements, and then I believe we want to also have an informal question and answer period. We would like to encourage you to just ask questions of any member on the panel about the policy issues that are represented here in ICR. And I think maybe we could even broaden it out to some of the maybe confusion that may still exist in the current regulations on user charge or ICR. So, if anyone has any questions--John.

MR. KANE: Tom, I would just like to clarify one point. I want to make sure that you don't understand that the statement of the gentleman from Black & Veatch represents the entire consulting industry. I find the user charges one of the most onerous provisions of 92-500 and that it usurps the local prerogatives on rate making. They interjected in that law a word that was foreign to rate making prior to that time, and that was the proportionality and the prohibition against recognizing the economies of scale. I do not subscribe to that statement.

CHAIRMAN MAHER: I didn't mean to indicate that Howard was representing the entire consulting fraternity. I just meant that he was from Kansas City, which is almost in the center of the country. [Laughter]

MR. LOBB: Those comments were from our own experience.

CHAIRMAN MAHER: I keep bumping into him no matter where I go.

Go ahead, John.

MR. GALL: I'd like to give you some kind of perspective of where we're going from here in terms of what EPA is going to do with the report from hereon out and how you could plug in in the future, so to speak, to have additional kinds of input to our study.

As Myron had indicated, comments will be received for the record from now until November 6th, directed to Tom or to Coopers & Lybrand in Washington.

To recap again what Mike Townsley said, some time late in November C&L will be presenting their report to us for our--to do whatever we will. At that point in time the agency will be reviewing the report, considering the recommendations of the consultant, the comments that we have received through the ten regional meetings; and we'll be preparing a final report that will be delivered to Congress no later than December 31st of this year.

We expect to make available a summary document of our final report to Congress in order that you may be aware as to how your participation today impacted our final decision. And to that end, I'm going to put up at the registration table just a list. And if you would either leave your business card or sign it with your name, address, and zip code, et cetera, we will attempt to see that you get a copy of the summary document.

There are indications again in the September regulations that there would be a Federal Register notification of the same type. I think this would give you a much more direct access to the final report.

We don't intend to make at this time at least a wide distribution of the C&L final report. Basically the problem there is that it is going to contain all of the public hearings, all of their computer data, all of this, all of that, and all of the other thing. It probably is going to be about that thick [indicating]. But I think that the summary would give a fair synopsis of the issues that were involved, the decisions that were made, and the rationales therefor.

In that regard, I think it is important for me to say that the final recommendation that we make to Congress as a result of this study will be the agency's recommendation. We are charged to deliver the recommendation to Congress. It's of course the Congress's job to make the future modification and to alter the program in whichever manner they see fit.

So, I would just urge you once again, anything that you wish to convey to us by November 6th, get on the list. And if you still wish to convey further things after the end of the year, I think the appropriate forum is of course up on the Hill.

MR. WEIDMAN: Jay Weidman from Betz Laboratories. When you were discussing the various alternatives, you mentioned frequently the societal effects or considerations of Congress. I would like to ask Tom if he could give us an indication of how many public interest groups are represented here today in comparison to industrial representation or consultants. You have the list.

CHAIRMAN MAHER: Yes, it's in the back of the room; I've looked at it. We do not have any Sierra Club or public groups that I know of. They're mostly a smattering of authorities. We have one from Hampton Roads, and I believe we have a preponderant representation from private industry here at this meeting.

MR. WEIDMAN: Thank you. The second question, for EPA: Many times since the 1972 amendments have been passed it seems that the cart has been put before the horse. There have been indications from the Effluent Guidelines Division in studying the 129 toxics that when they put out the regulations for direct use charges, they are also going to put out resource performance standards and regulations for pretreatment for those toxics. They have indicated that the regulations for pretreatment will be as stringent as for direct discharges. If you are intending to send a final report in to Congress--that is, EPA--prior to seeing these guidelines, which will not begin to appear until after your report has gone in, there is a definite possibility that those 21 industry categories will choose to get out of the publicly owned treatment works because they are going to have to pretreat to the same extent as they would have to in any event if they discharged directly. My comment here is that possibly you might request a delay in your report until you see the potential effects of those difficult guidelines.

MR. GALL: I think that's clearly one option which we had laid out, and I think the point is well taken. I unfortunately cannot speak to the timing of the promulgation of the pretreatment standard, and I don't know how far into the future we would be delaying all of our decision-making processes by following that course. But it's something clearly we have to address as we're making our final report.

I believe we had two questions over on this side.

MRS. HATHAWAY: I just was wondering--I may have missed--when did the agency expect to make its recommendations to Congress?

MR. GALL: By legislation by December 31st of this year.

For anybody who has any questions about what type of involvement the Sierra Club and others may have had, I'd just like to briefly run down the various members of an advisory group that has been functioning at the Washington level since late in the spring of this year. That group was put together in order to ensure that we had a fair and representative cross-section of people who may be interested, and it included such organizations as the Isaac Walton League, the Sierra Club, the Urban Environmental Conference, Friends of the Earth, approximately 12 environmental organizations, a number of industrial trade associations such as the National Food Processors, the National Broilers Council, the American Frozen Food Institute. There were involved in this a number of governmental organizations such as AMSA, the National Association of Counties, and in addition representation was provided by the Water Pollution Control Federation and several others, American Public Works amongst them. And sort of as an aside comment, I don't think it should surprise anybody that the people who have to pay are the people who show up at this hearing.

MR. KANE: The summary document that you are going to make available, is that going to be EPA's summary or Coopers

Lybrand?

MR. GALL: EPA's.

MR. COX: What is the general view that comes across to you about urban matters from the point of view of those organizations who are primarily interested in wilderness and wild rivers?

MR. GALL: It would be very difficult to characterize their kind of involvement at the Washington level other than to say that several of the organizations have indicated that they understood the potential urban problems that could result. And that's maybe an unfair characterization on my part in that I haven't been to all of those meetings, and I certainly wouldn't want to speak for them.

MR. COX: With the understanding of those urban problems that could result, was there an expression of genuine concern?

MR. GALL: I'd really have to look back in the record. I'm fairly sure there's an expression of concern. And, without a doubt, I'm sure that it is genuine.

CHAIRMAN MAHER: John, maybe to clarify this issue, I have had some comment from various sectors to the effect, if I can paraphrase it, that there's a diversity of interest between the industry group in the urban section and the rural wild rivers, and that the concern was that the impact to industry economics is being somewhat determined by people who have no concern, if you will. I don't know whether that's a fair way to put it or not. But this is a Region III concern and has been. Did I twist that up pretty badly?

MR. COX: I'm still in the dark. I'd like to know, if I may, one or two suggestions or proposals, regardless of their merit, that may have come up in the earlier hearings from that sector that we are discussing. Points of view, if you like. I haven't heard any point of view yet.

MR. OLSTEIN: I have been in all the public hearings that have been attended by these groups--the Isaac Walton League, the Clean Water Action Project, that sort of thing. I'm doing a little bit of interpreting, but I don't think any of those groups are wedded to ICR. And I know Jack has been at a number of those hearings. He can comment on it too. I don't think that they're really tied to it.

One comment that was made by the Clean Water Action Project, there was a lot of concern expressed about the interaction of the provisions of Section 204, the rate-setting provisions with the process of sizing the plant, regional planning, that kind of thing, and I remember that they were very concerned that we take a look at that process. But we never got around to looking at any specific urban problems. We never got quite to that point. And I think that would be something that would happen at the next public hearing in Washington.

So, they have not shown to me that they have been wedded to ICR or particularly hostile to industry. Does that answer your question at all, Jack? Do you have something you'd like to add?

MR. COOPER: I would not try to speak for the environmental organizations. [Laughter]

MR. OLSTEIN: I don't know. My feeling was that I didn't feel that they have been particularly rigid. Maybe I'm interpreting the fact they didn't come out to our last public hearing as an indication that maybe they weren't concerned with--

MR. COOPER: I'm Jack Cooper. I will say this. From the very first advisory group meeting they were all there. All the environmemtal groups were sitting around. They were all interested. They were all doing something. As the meetings continued--at the last meeting there were no environmental groups present at all. They were all just the affected industrial groups. Whatever that says, you can draw your own conclusions.

MR. GOELZER: I'm Bill Goelzer. I'm with the Land and Sewage Authority in Vineland, New Jersey. During the first part of the meeting, you said that the cost to administer the ICR programs was about $15,000 per year average and the income was $8,800. How many authorities or POTWs were in that sample to compile the average?

MR. GALL: There were 241 grantees in the total sample. As to how many of those actually had ICR systems where they estimated the cost--I would like to say one thing. It was $15,000 a year in eliminatable cost. It was $88,000 a year roughly, ICR revenues, of which $8,800 was discretionary. So, the comparison was made between the discretionary amounts and the cost of administration.

MR. GOELZER: How large a sample was that out of that 241, just approximately?

MR. TOWNSLEY: It would have been, I'd say, a good majority of the 241.

MR. GOELZER: And what average size were they, say, in gallons being processed? Were they large, small?

MR. TOWNSLEY: Around 50 million gallons a day design capacity was the average that we came up with.

MR. GALL: If you have the handout, the ICR study data, across the top I think the first line is average size.

It ranges from 50 to about 80.

MR. GOELZER: How do the costs vary, say, for a small authority, like a 10-million-gallon-a-day authority. Is it the same ratio or is it higher?

MR. TOWNSLEY: We are still analyzing that in different size categories, and this is part of the analysis that is going on.

MR. GOELZER: Something else too. We've been asked to develop an ICR program by July 1, 1979. Yet all this is still being discussed. The ICR program apparently is very much unsettled. What's the reason for us being here required to develop a program by that date, by July 1, 1979? We've been told that if we don't, we can't receive any more Step 3 grant money.

CHAIRMAN MAHER: The Congress initially did not give the right to approve user charge ICR in Step 3. EPA did that as a necessity. And they're just withdrawing that regulatory privilege that EPA took. And the reason they're doing it, I believe, John, is that this should be done in the planning steps--public information about cost, which is user charge ICR. And they want to get back into Step 1, Step 2; is that not correct?

MR. GALL: I can agree with that. The other problem is that the moratorium, by legislative fiat, ends at that date; and so that in order that a grantee would be in compliance with the law as of that date, you have to have something. I think that is the more direct response. I think Tom's characterization is very good.

MR. GOELZER: Our concern is that it may cost us four or five thousand dollars in consulting fees to develop an ICR program which may not even be valid by July 1, 1979 if the regulations change.

MR. GALL: Yes, that's clearly a problem, and it's germane not just to ICR but the entire program. Anybody who has been with it for any period of time...

MR. GOELZER: Do you see any possible change in the EPA requirements for the ICR program being developed by that date?

CHAIRMAN MAHER: I think you have had indication here, have you not, that there is not much sentiment in the Congress to completely abolish, I believe; is that an unfair statement?

MR. TOWNSLEY: It's a personal opinion.

MR. GALL: It's a personal opinion.

CHAIRMAN MAHER: Personal opinion.

MR. GALL: But, no, the answer to your question is no, I don't think you'll see much change and strictly because of the legislative mandate that should be prepared to reinstitute ICR at that date. That's something that we cannot change.

MR. HEALY: Tom Healy, Philadelphia Water Department. If you were to get a hundred percent negative reaction at the public hearings to ICR, how far does that go in influencing Congress as to these public hearings expressing the will of the people? You said they maybe had their minds made up already. What good is a public hearing then?

MR. GALL: I think it's very important from the point of view that--again this is a personal observation--were this whole thing done cloak-and-dagger type of thing and strictly with the advisory group and nobody else had the opportunity to comment on it and were the only way that you knew about it was to talk to your congressman, I think that that just continues a process that we--that is, the agency and probably the government in general--are trying to get away from. And the public hearing is going to be as good as you make it. We try to get you here. We try to provide you with information and hopefully get some good feedback. But I think the onus is on the public to make it a viable forum.

As to what effect overall your comments are going to have, I think a lot of it is going to ride on the merit of the comment as well as, were I a politician, the numbers.

MR. LOBB: Can I express something that is concerning me as just an individual, not representing anybody? In our business over the years there has been the plan that we could treat waste waters from all sources where you had compatible waste more economically by a single system. We spent the last 30 years regionalizing waste-water treatment, eliminating small plants and pulling everything together. And I now see a trend coming up which bothers me. In our business we represented very few industries in the past. We're primarily a municipal rate consultant. In the last four years now we're representing over 100 industries across the country. And they are very serious about the waste-water charges. They are very serious about coming up with alternatives to staying on the public system.

The net result of this, which bothers me, is we're going back to the old system we had before that didn't work, small treatment plants would be spread all over a municipality. We will have built into our municipal system capacity, which is going to take years to utilize. In certain areas it has already occurred where we are seeing less than 50 percent of our capacity being utilized. And by the time any normal growth can pick up this capacity, your equipment is going to be outdated and decayed to a point that it won't work. So, the thing that's bothering me is that the very trend that we have tried to promote in the past of an orderly treatment process where everybody would receive the benefit from a municipal system, I think we are starting to reverse that trend. So, I think anything that EPA takes into consideration, I can't help but think that pretreatment rules and regs are a further leaving of the municipal system.

I think it's a bad situation, and I think it's just going to create greater problems than we have now. And anything that we can do to retain the industrial customer within the municipal system and reduce the number of individual plants with all the inefficiencies and all the potentials of spills and upsets, we would be much better off to promote use of our municipal facilities, and it has been done ove the last 30 years. That's my own personal comment.

MR. GALL: Is there anybody else who wishes to make a comment or observation or ask a question? The gentleman in the back.

MR. CLARKE: Duane Clarke, Rohm & Haas Company.

I'm finding it difficult to understand why the ICR makes such a great difference between the cost of sewage treatment by privately owned plants and municipal plants. Given the economies of scale and tax-free land, one would think that there wouldn't be an opportunity to compete. Has Coopers Lybrand study given any indication by this is?

MR. OLSTEIN: You asked a couple of questions. Basically if you're an industry that discharges--we haven't nailed the exact number down yet--but if you're in a medium to large range and the two alternatives that you have are either to go entirely towards self-treatment and take as many--if you're large enough to be able to take all of the tax advantages available to you on the one hand and if, on the other hand, your other alternative is to go into POTW, there are so many tax incentives, there are so many strategies, financing strategies, that you can use, that you can have a positive present value in self-treatment, and you are never going to have that in a POTW because you're always paying.

The amount, the percentage, of that strictly ICR is really very small. I mean, basically it boils down to getting very inexpensive money, if you can go on an IDB, repaying only interest until you have that final repayment of interest, of principal, getting a tax credit right off the bat, rapid writeoff. You have all of that right over here. And, on the other hand, what you've got is a straight-line 30-year repayment that may be interest-free; but in terms of what it is worth to you today, there is just no comparison between the two. So, if you can take advantage of everything that's available, unless you're really small, you're a lot better off doing that.

There are two other factors that enter into that. One of them is that in every case where there has been a grant--I believe it is either every case or the overwhelming majority of them--you have an upgrading in treatment level. In other words, if their previous plant was primary, if they're getting a grant now, it's to build a secondary or an advanced secondary plant. So that in a plant type of situation you are always going toward a more expensive treatment level, so that additional money doesn't buy you more economical operation. It's more expensive to run a more advanced plant.

The other thing is that as you get into these more advanced plants, the economies of scale really aren't there. You're talking about--you know, the curve is almost flat. It's very close to being flat when you get into these more advanced plants.

So, there just aren't as many benefits on a POTW side to offset--

CHAIRMAN MAHER: Question back there.

MR. GILDE: Lou Gilde. Our experience is more in a different direction. Yes, there are some tax advantages. But where we've been able to define the problem, it comes down to the fact that in food waste, in particular, it can be quite strong--three, four, five times as strong as domestic waste. You treat that by itself and you get a certain unit charge, cost. Now, you mix it with a dilute waste, and based on the regulations that presently exist, almost all the benefits of the larger size accrue to the people with the least waste. So that if you reverse the concept here and said, "Okay, domestic people and the rest of the community try to concentrate their waste"--which is one of the things that the food industry has tried to do, is to reuse water so that you end up with a concentrated waste, then your systems would be much smaller and less costly.

So, our experience is that this tremendous increase in cost is coming because we're not gaining the benefit of the combined system.

The other thing is that when we build our own treatment system, it's concise and just for it. We don't have a park around the treatment system and many other things that I guess, from society's standpoint, are required for a municipal plant.

I'd like to, while I'm up here, address one more point, if I could. One of the other things I've been involved in in the past 20 years is locating plants. And the experience over the years is that when you are trying to find a town to locate in, you frequently come to a community that says, "Well, we've got a ten-million-gallon-a-day plant, and we're only using six to seven million gallons. Your waste is only a million gallons. We'll just charge you the added cost to treat that added million gallons." That is a base that exists in many parts of the country and in many communities, and that type of thing is still going on today where the community does not have to rely on federal grants.

So, you're going to have this dichotomy kind of continuing down the road. Now, what concerns me is if you lock people into the present program--which program, according to Congress, is only limited to this point in time, the next five years or so--and you don't continue in the future money from the federal government to take care of future projects, then five or ten years from now, when we've done away with the federal grant program, you now have some communities that will be building up reserves. Won't they be in the position to do the same thing that has been done in the past with those reserve funds?

CHAIRMAN MAHER: Lou, I'm just going to interject an administrative note here. We do not wish to filibuster you people through lunch. We came here to avail ourselves all day today and even Monday, if necessary. I would like to ask at this point if there's a feeling that we should break for lunch and if there's sufficient interest, we will come back and have an open discussion. I think there is a great deal of benefit in this type of thing because I think in these types of meetings we don't get down to gut issues. We get a little more informal as we go along. And yet we don't want to keep you this afternoon, if you have things to do or places to go.

What is your pleasure? Is there a consensus that there is any benefit? Would you like to break for lunch or just continue on? [Pause]

I shouldn't ask that question. That's like asking whether the grass should be green.

MR. CLARKE: I move we continue.

[The motion was seconded.]

CHAIRMAN MAHER: All right, let's break for lunch, and we came prepared--[audience reactions]--oh, oh, continue, all right. All right. And see if we can't wrap it up. Okay, fine. Let's have some more questions and comments in response to the discussion so far. Yes, Gardner.

MR. COX: Mr. Gilde has pointed out certain disparities in patterns, town for town, city for city. As the prime amateur in this room, I am upset by reading Roth's articles out of Buffalo where apparently there were pretty tough situations, with sewer rates going up ten times, 25 times, in one case 57 times for a barrel company. Are there many cities that you surveyed where similar disparaties or great multiples in their rates occurred? And is there a common reason for this or group of common reasons?

MR. OLSTEIN: Let me answer that. First of all, just to get back to Lou's statement, I think you should recognize that Campbell's Soup in Sacramento is in a situation where they are hit twice. It's a highly seasonal user. They're in a situation where you have advanced waste-water treatment. So, they got hit at least twice just by locating out in Sacramento.

You mentioned Buffalo. I should point out that although there had been some very sizable sewage rate increases in Buffalo, they haven't gotten their first dollar of 92-500 funds yet.

MR. COX: These were numbers predicted by the sewer authority itself for 19 plants. And the multiples of the year '79 versus the year '78 were pretty frightening.

MR. OLSTEIN: The reason I said that is because I think it is very important to find out what it is that is causing the problem. In the case of Buffalo, Buffalo was trying to go from down here to up here at one time. And they are going to have--because they are receiving a very small amount of 92-500 money--they're going to be going to sort of a user charge system. And those are the reasons why there are going to be such enormous increases. But they've got an over $200 million building program going on, of which only $14 million is going to be 92-500 funds. The rest of their funds are all 84 or 660.

So, ICR is so small, a part of that you couldn't even see it. And they don't have any ICR requirement right now. What you do have--I'll go back to the findings I went through. Where you have a situation where a municipality is trying to go from a very old antiquated, strictly primary type of system to a secondary, advanced secondary, or tertiary, it's just going to cost a lot of money. And what happens, what you'll find in a lot of cases, is they're going from just incredibly low rates to rates that are a lot higher than what they used to be but aren't that much higher than you find in other places. What the effect on the rates is going to be depends on the size of your rate base, where you're coming from, the level of treatment of the new plant that you're installing; and in the process of doing that, you get some increases. I've seen increases of ten times. That is not an unusual increase. But you're looking at an awful lot of things happening all at once, of which ICR us just one part and, in many cases, a very small part. You've got a tremendous amount of upgrading that's going on. You have prior rates that had ad valorem or that kind of thing in there. And when you do everything all at once, some people, some industries particularly, are going to see enormous increases. But there are a lot of things happening when you get--

CHAIRMAN MAHER: That's the case, Gardner; we have one in Region III where they went from primary treatment where the costs were shielded in real estate taxes; in effect, they were paying no sewer bill, and they went to AWT. And that's an infinite increase.

MR. COX: It's also almost a social revolution for the guys who were working in that industry, like the wet industries in Milwaukee.

CHAIRMAN MAHER: But Myron is bringing the point out that it's a function of where you're at, where you're going to, and how fast you're doing it. Many things influence these matters, not the federal program, although albeit we are requiring them to reduce their pollution.

MR. COX: The federal program is saying upgrade by whatever method, right?

CHAIRMAN MAHER: That's right. But we're now talking about something other than ICR.

MRS. HATHAWAY: But it truly is upgrade and proportional user charge. There's where the stickler is. I mean, if they're in Milwaukee, they're going from an ad valorem system with companies which were in the older sections of town, contributing vast quantities of pollutants; and now they are being charged, rather than on a real estate basis, they're being charged on a proportion to use basis. It's the upgrading, plus the new system of charging.

CHAIRMAN MAHER: The full disclosure of true costs really. They were paying it before in many cases, but now they are pulling it out, and they are not reducing the former charge structure. They will leave the real estate tax alone.

Lou.

MR. GILDE: I was just going to point up the same as over here. It is the federal program, the way they demanded and developed user charges, which is only impacting on certain communities and in certain areas. It's not a hundred percent across the board. So, instead of achieving the parity that Congress was after, we are really achieving a great disparity.

CHAIRMAN MAHER: Yes, but at the same time we're achieving parity and equity in the level of treatment provided for the nation's waters. And if some were negligent in prior-year capital investment, I don't think it's fair to charge the government with that. A town that was dumping it into the stream with no treatment at all is now being asked to come up to the level of municipal operation and treatment of towns that have been doing this for 20 and 50 years. And this creates a vast increase many times in the cost of this fellow's operation.

MR. JOHNSON: My name is Johnson, from the State of Maryland. One comment that I think pertains to the present system. Numerous of our communities have used this break for sewage, water, whatever, as an inducement factor for industry. Now, some of them apparently have--I can name one, I think the Town of Hurlock over on the Eastern Shore. It has a kind of fairly substantial industry, a wet industry, which is a pretty marginal operation for the operator. Now they are faced with laying on ICR, which they are afraid is going to drive the industry out of town, and there's no escape clause in this, is there? If so, what is the impact or what can we do for the Town of Hurlock when that industry employs half their people beats me because they're going to dump ICR on them.

MR. OLSTEIN: I think the combination of the laws and regulations are pretty specific as to how you build up your ICR charge, how you're supposed to build them. In the realm of EPA interpreting and establishing regulations for federal law, there isn't anything you can do through the sewer charge mechanism. If it's all that important, I guess the town could provide a direct grant of some sort. But you can't do it through the sewer charge mechanism.

MR. JOHNSON: Really I think this is one of the things that the ICR, as I see it, is off. I don't know whether they can go to a system basis for collecting. I don't even know if that's permissible, the way the regs now read. Baltimore City has got myriads of tributary lines and industry sitting out on one end. You can get a grant of rehab, the interceptor that that industry uses; you've got to kind of pro rate its costs or that rehab grant and so on down. It's an administrative nightmare unless you can go systemwide at the minimum.

MR. GALLAGHER: I don't have a solution. I just see all these problems occurring. And to add on to what he said and what other people have said, if I was an industry sitting in Philadelphia or Camden right now looking at 92-500 and seeing all the things that are going to be required of me, including industrial cost recovery, I would go ahead and take a close look at that plant and see whether I wanted to stay in Philadelphia. Most of the urban centers in the United States are water quality limited. So, we're looking at higher degrees of treatment than we are out in the more rural areas. So, it might be more conducive to me to look to move, especially when I am looking at old equipment that's already in this plant I'm going to have to upgrade and consider the whole system.

As the 208 agency, we did this in trying to plan for the year 2000, and our policy was the revitalization of the urban core, and we can't do that without the industries remaining in the city. I think that all these programs fitted together are working to chase them out of the areas where we already have other existing infrastructures. I think that all has to be considered. You just cannot look at cost and the cost of treatment. You have to look at some of those other social implications.

MRS. HATHAWAY: I am interested in your personal assessment of Congress, and I've heard other people, knowledgeable people, making the same assessment. I wonder what the issue is that they are particularly interested in. And if it is equity issue between direct dischargers and those who are discharging to municipal treatment works, I think you have already--about 10 or 15 minutes ago--talked about the fact that you feel that the direct dischargers are in fact in a better position, in a better economic position, because of all the tax advantages and financial options that are available to them.

The ICR was intended partly to not allow a municipal discharger an unfair opportunity, as I understand it. And you feel that it in fact is not an unfair opportunity because the direct dischargers have all these other opportunities. I think that ought to be made clear, if that is the pivotal issue, the sort of psychological issue in Congress.

MR. OLSTEIN: I think what we did--whenever you write a law, you have certain things that you want to d Some of them are very quantitative, some are v And inevitably whenever a law goes into unintended consequences, and that's exact said, "Let's take a look at the quantifiab you had when you passed the law and find out if maybe something didn't happen so that you weren't able to achieve what you wanted. And, to a certain extent, I think we have done that. We have shown that the so-called parity issue is not totally correct. If that was in fact their only objective in writing the law, then it just wasn't doing that. We haven't proven that that's incorrect in every case because there are a lot of cases where you're better off staying in a POTW. And if I had to make that decision, I would in a lot of cases. The problem--

MRS. HATHAWAY: If you were to make that decision, what?

MR. OLSTEIN: If I had to make that decision--if I were in a company that had to make that decision, there are a lot of benefits of being in a POTW also. You are not locked into something, a piece of equipment that is going to be there for 30 years. But Congress was trying to do somethin symbolic in ICR. And the things that made them want to do this symbolic thing I think still exist. And that's why I'm hoping that somehow or other we come up with some kind of accommodation that satisfies everyone. We probably won't be able to. But that's why I have a personal feeling that we have to find something else. I'd hate to think--there are so many of the original objectives of ICR that aren't being met that I don't think it's appropriate to leave it exactly the way it is. But I don't think it's going to be considered to be totally appropriate to just eliminate it either. So, that's why we have this emphasis on alternatives and try to get reactions to the various alternatives.

MR. COX: I'd like to add something to the remarks of the DVRPC gentleman, going over into the field of air, which is not in your field of interest. But if you add up his remarks about possibly going to direct discharge in a more remote area, add to that the impact of the Clean Air Act amendments of '77, about which alone some analysts whom I respect have described as foreseeing the ruralization of American industry, then the two combined would seem to double impact and thrust in the direction of the dispersion at least of American industry to parts that are like in Stanton or something like that in this state and other places that are relatively thinly populated. That's just a feeling.

MR. OLSTEIN: In the case of water, I don't think that's totally correct because as you go more and more into the more rural areas, if you were going to move an industry there, then I think what you're doing is you're going to be getting closer to a self-treatment situation without any of the benefits. I mean, I wouldn't want to go, if I were located in Philadelphia, for example, and I thought my sewage rates were too high--so, I was going to pick a town of, say, a hundred people to move to--I know for sure that tying into a POTW in a town of a hundred people is going to be more expensive, a lot more expensive than self-treatment.

In the case of water, it doesn't work that way. It probably does in air. But the smaller cities had higher rates.

MR. GALLAGHER: I don't know if that's the point we're trying to make though. Obviously if you moved that to a rural area, it would be cheaper for you to buy the land and hook into a public treatment plant. But the point is that we're sizing plants now in this city to take a certain amount of industry, and that industry is going to be forced out of the city.

MR. OLSTEIN: Believe me, that's a very real concern, and that really is a problem.

MR. GALLAGHER: There are cheaper labor markets around too that are economically depressed. And with the tax incentives you mentioned earlier for industries in building new places, it destroys what we are trying to do, of keeping the infrastructure we already have in the city in existing school systems, the highways. We're just going to lose all that, and we're going to just have this leap-frogging effect of just keep extending the suburbs. So, there are other costs to society that aren't being measured here.

MR. OLSTEIN: When you begin to see the way these different laws interact, it really is incredibly different to try to head off every one of these unintended effects of every act.

MR. KANE: I thought that Camden's statement was very much to the point. And I'm just wondering how many other statements of a similar ilk you've had from other communities or from other hearings.

MR. OLSTEIN: Let's see, we've had statements--New York City I think had a very similar statement. Rockford also added what I thought were some very pertinent remarks about the administrative problems associated with it. I guess we're getting about one or two statements from municipalities, the area.

MR. JOHNSON: I don't know for certain, but if I had written that law, I would assume this provision is to prevent a free ride. It hasn't been mentioned yet--maybe it was before I was in--is part of your analysis to show that any benefits derived in return of the deletion of ICR? How does it stack up against revenues versus from the industries that get this free ride? You're dealing with money that's really just being funneled through a federal agency and dropped back down onto the source. A lot of people feel maybe we should get the hell out of the business completely because there's a pretty high overhead charge on it, taking it out of my pocket on April 15th and then giving it back to me in the treatment plant ten years from now. I just wonder if there is any governmental information available that would show that the source of the revenue from industry, balanced against the benefits that are going to derive from ICR. This would be one way to show Congress that in fact they are not doing anything but giving industry part of their own taxes back.

MR. OLSTEIN: Your question is if we eliminate ICR--

MR. JOHNSON: Your analysis is going to apparently show some effect. You've shown the administrative overhead that goes into collecting ICR. What I'm saying is you're spending a certain amount of money which indirectly or directly you believe will benefit industry. Your revenues came from industry and the civilian population. Can you show in fact industry is not getting an undue share out of corporate taxes versus personal taxes?

MR. OLSTEIN: We can identify how much money would be saved in administrative expenses if we didn't have ICR. We can identify what percentage of the total grant funds are going toward ICR. And I guess all you'd have to do is take a look at where your tax dollars come from--

MR. JOHNSON: Federal revenue.

MR. OLSTEIN: Yes--to make that comparison.

MR. JOHNSON: It won't eliminate the imbalance between the private treater who does it with his own capital, but it will in fact show that probably the majority of your industry is in publicly owned treatment works anyhow.

MR. OLSTEIN: I think the point you're getting at is if--let's use some numbers, for example. Let's say out of the $45 billion in grant dollars, one billion of it represents ICR. I'm pretty sure that industry's share of total tax payments is in excess of that two percent. So that if you were to follow that line of reasoning, you could say, "Well, gee, ICR is nowhere near how much of that money came from industry in the first place."

MR. JOHNSON: You could take that into the--many are helping support industries...

MR. OLSTEIN: Yes, you could do that. The problem of the variations from one place to another though are still there and would still be a problem.

CHAIRMAN MAHER: The initial discussion in the Congress on these matters had to do with the long-held principle that Congress does not appropriate federal tax monies for private purposes. I realize that runs counter to your economic argument. But in many economic programs there are several things that are well-established in the Congress. One is: Do not create dependency. Don't give out federal tax dollars for operating cost. Let's build something that is of tangible value. The other is it should be for public purposes. They went even further in this one and said that these monies were restricted for public purposes. Now, why they did that, I don't know. But that's some of the philosophical basis for the program.

You're right, there are private industry dollars in that tax fund. But they made a special point of pointing out that these monies were to be reserved for the public problem, if you will, not the private. And I think one of the reasons was that they wanted the money to go as far as possible in the public treatment plant treating the residential customer. This was some of their thinking.

MR. WEIDMAN: Correct me if I'm wrong. I'm Jay Weidman again from Betz. But my understanding of Public Law

92-500 was that the environmental protection agency in administering that law was to encourage use of publicly owned treatment works and also regional treatment works and so forth. It seems to me from the discussions that your own contractors have made and the comments here today that the ICR is going in the direct opposite of one of the basic goals of the original law.

CHAIRMAN MAHER: I think in philosophy it might be, but I think in impact it's not differential; it's very minimal. I don't think it's a big factor.

MR. GALL: I'd like to make one comment on that. Specifically one thing that Myron said was that the changes that have altered that balance have taken place since the passage of 92-500. In other words, it's the finance committee coming in to do its bit for pollution control, and that's something that nobody could have foreseen in 1972. Frankly I am not expert to speak on what the tax situation was in 1972 and as to whether or not ICR was a parity program at that point in time.

MR. OLSTEIN: Just a brief comment. You're right. The overall objective of the '72 act was to promote regionalism. And if you read the legislative debate, every reference that was made to ICR in terms of the parity issue was a negative reference; it was Bella Abzug who really tied it up better than anyone else. She very clearly made the point that on one hand, via ICR, there was this interest-free loan, admittedly straight-line, 30-year period. But the alternative was always going to be something that was going to have an interest attached to it. So, it was couched in very negative terms. It was that ICR was not going to drive people out. So that the parity issue was always presented in that manner. The overall objective of the act, not just that section, was indeed to enhance regionalism. So, you're right.

MR. WEIDMAN: Again I would just like to reemphasize the fact that if there is any way possible that the Environmental Protection Agency could find some means of delaying a final decision on this matter until they can heal the impact on industry--those 21 industry categories, many of which are using publicly owned treatment works. If you take the West Coast as an example, practically every refinery in the Los Angeles basin discharges into the Los Angeles County Sanitation District. If in fact they're going to have to pretreat to the same extent to remove those chemicals which they have in their waste, then why would they want to continue to use the publicly owned treatment works, pay the user charges, and also pay the ICR? So, I think this is a matter really at the administration level of EPA that some consideration should be given to, at least getting together with the Effluent Guidelines Divsion to find out what they are doing, whatever contract was shown to date, what are your plans, and how does this impact upon the possibility of people getting out of these very large publicly owned treatment works and then what happens to the cost to the domestic users?

MR. CLARKE: I just wanted to point out that Congress had the knowledge of what had had happened between 1972 and 1977, and yet they apparently didn't take advantage of it.

CHAIRMAN MAHER: When you talk about Congress, you have a very diverse group, both from the House to the Senate. They don't always see eye to eye, and then within each group you have very diverse forces at play. And then you have the power structure of the committee structure. If that man is in favor of a certain piece of legislation and he happens to be on one side or the other, that influences the legislation. I'm not telling you anything, and it doesn't make a heck of a lot of sense, sometimes. It does to him and his constituency.

Yes.

MR. GOELZER: Bill Goelzer again from the Landis

Sewerage Authority. Has Coopers & Lybrand made any estimate on the effect on domestic rates, residential rates, when and if industry does pull out? That's especially important in an authority like ours where one-third of our flow is from industry and two-thirds from residential. If industry pulls out and the plant is already built, that cost has to be borne by people, by individuals through domestic rates.

CHAIRMAN MAHER: I think we're thinking about thinking of contractual commitments in over ten percent, aren't we? We can't fund capacity over ten percent even now, I don't think, without a contractual commitment in Region III.

MR. GOELZER: Most of our industries are still less than the 25,000 gallons a day. Even a commitment I don't think would tie them to a 50-year period.

MR. OLSTEIN: The answer to your question is that the rates will go up. As a matter of fact, as part of this study, we were able to develop curves that had been validated, the data had been collected.

Rates will go up. Exactly how much they go up depends on the size of your plant, level of treatment, that kind of thing. In the more advanced plants, the coefficient runs about .88. So, the economies of scale working against you aren't quite as bad you might think it is. But rates will always go up because your fixed costs don't change. If you have a very specific question, you could give us a call, and we might be able to give you an estimate based on what we found out.

MR. GOELZER: The point I'm concerned about is that I don't think it has been really looked at to see what the effect will be on domestic rates, on the individual voters, if industry is forced to go through economics into self-treatment.

MR. OLSTEIN: We're going to work up that number on a national level. We're going to find out nationwide what the increase is to the non-industrial sector as a result of movements out of POTWs by industry.

MR. KANE: Are you going to do that on a curve because on a smaller plant, with major industry pulling out, it's going to be a much larger impact than on a larger one?

MR. OLSTEIN: The question that we're going to be addressing is the total economic impact type of question. So, we're going to be spreading it over the entire United States.

CHAIRMAN MAHER: Yes, Gardner.

MR. COX: I might attempt to express a view that maybe is familiar to other people in the room, that in going for a national average you conceal local grief, and you do not then inform through the analytical process a community like

Vineland as to what may be down the pike for them. Maybe it is not in your assignment to do these things, but you can sens a questing by the people in this room to know what the future holds for them.

CHAIRMAN MAHER: In the nature of a study like this there are work papers which are based upon, I believe, individual cases. And if there's any indication that this is a problem, we're going to have plenty of interest by the General Accounting Office or other auditing types, and they will go into the specifics and the local--it won't get lost is what I'm trying to say. It will in the final conclusion in the impact. But I believe if anybody is sufficiently interested in it, they will get down to the cases. This is my experience in this type of situation. And I believe the enitre record is going to be available, is it not?

MR. OLSTEIN: Yes.

MR. GOELZER: Is Congress going to be made aware though of the impact on a small community? Do you plan to put that right in the report?

CHAIRMAN MAHER: They are usually asking the same kinds of questions you're asking. They're well aware that grand national averages hide a lot of individual grief. Correct me if I'm wrong. Most of these committee members are very, very sharp, and they will put pressure on those very points, and they will bring that information forward in their determinations to see what it means. One of the alternatives I think was a selective type of operation, based on grief.

MR. GALL: The other point to bring out is that the impact on rural communities is specifically one of the questions that Congressman Roberts raises. There's going to be a lot of trouble if we don't try to address that adequately.

CHAIRMAN MAHER: John Gall wants to be certain that you are reminded to leave your name or business card on that table back there if you want the draft of comments.

Any other unanswered or unreceived comments or questions?

MR. GOELZER: Is it possible to have a list of the names of all the people who attended sent?

CHAIRMAN MAHER: With the summary?

MR. GOELZER: Right, say, with the summary, yes.

CHAIRMAN MAHER: That does get to be a problem sometimes. Who is sending the summary, John, us, EPA, or Coopers?

MR. GALL: It'll be EPA.

CHAIRMAN MAHER: We've got Xerox machines. I'm trying to think what we're going to do with that list back there. Is the list of attendees part of the public record?

MR. GALL: Yes.

MR. OLSTEIN: There will be no problem.

CHAIRMAN MAHER: I don't think there is any problem. We need to know who you are.

MR. TOWNSLEY: With a full mailing address too.

CHAIRMAN MAHER: If there are no other comments, questions, or statements or anything, why I think we can be adjourned. And we appreciate your coming very much. I think this has been a very helpful session for both our contractor and EPA. So, thank you very much.

[The hearing concluded at 1:08 o'clock p.m.]

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ICR PUBLIC MEETING - PHILADELPHIA
BENJAMIN FRANKLIN HOTEL
OCTOBER 20, 1978

ATTENDEES

David Gaines
Miller Reporting Service

H.P. Green
Wyeth Laboratories

Paul Hess
Hershey Foods Corporation
Hershey, PA 17033

Howard J. Lobb
Black & Veaths Consulting Engineers
Kansas City, MO

H.J. Amici
Penna Power & Light Co

John E. O'Brien
Matlack, Inc.

Thomas L. Goodwin
W. Va. Dept of Natural Resources

V.J. Gordon, Jr.
Roy F. Weston, Inc.

J.G. Weidman
Betz Lahs
Trevose, PA

Thomas Kulesze
Phila. Water Dept.

Fred Grant
EPA - Region III

R.P. Schiwall
A.W. Martin Assoc.

George A. Golia
Betz-Converse-Murdoch

William Moore
Rohm & Haas & Co.

Guy M. Aydlett
Hampton Roads Sanitation District

Jack Cooper
National Food Processors Association
Washington, D.C.

L.C. Gilde
Campbell Soup Company
Camden NJ

J.B. Asilania
New Castle County
Delaware

John V. Dougherty
Gannett, Fleming, Corddry & Carpenter, Inc
Harrisburg, PA

John T. Kane
The Chester Engineers

Jim Canterbury
W. Va. Dept of Natural Resources

D.S. Patterson
Prior Coated Metals

D.G. Clarke
Rohm & Haas Co.

Paul J. Sieracki
Phila. Water Dept.

Bruce Kraeuter
Water Resources Agency for
New Castle County

M.D. Hopkins
PA State or United States
Breuersa

Joseph W. LaCerra
C. Schmidts & Son
Philadelphia

Tom Healy
Phila Water

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ICR PUBLIC MEETING - PHILADELPHIA
BENJAMIN FRANKLIN HOTEL
OCTOBER 20, 1978

ATTENDEES

Bob Reed
EPA - Finance

Paul R. Gandolfo
EPA - Audit

Joseph Salwen
Crown Paper Board

J. Robert Gallagher
D.V.R.P.C.
Phila, PA

William C. Goelzer
Landis Sewerage Authority
Vineland, NJ

Arthur S. Vanek
F.& M. Schaefer Brewing Co.
Allentown, PA

V.R. Hathaway
Jaca Corp
Ft. Washington

Richard Snide
Lehigh Valley Dairy
Allentown, PA

Blake C. Marks
Butz, Hudders & Tallman
Allentown, PA

Tom Maher
EPA - UC/ICR - Region III

Mike Townsley
Coopers & Lybrand

Thomas J. Moran
EPA - HQ

Bill Hoffman
EPA - Finance

John H. Williams
Western Electric
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William A. LaFrankie
Pet Incorporated
Allentown PA

Robert A. Schway
Landis Sewerage Authority
Vineland,NJ

Gardner Cox
Perferdel Corp
Env. Improvement Committee
Phila, PA

C.D. Yoh
State of Maryland

Don Wchtz (sp. ??)
City of Allentown

Michael D. Verra
City of Camden
New Jersey

Charles Bodo
Coopers & Lybrand

Myron Olstein
Coopers & Lybrand

Greene Jones
EPA - Region III

ICR PUBLIC MEETING — Philadelphia

BENJAMIN FRANKLIN HOTEL

OCTOBER 20, 1978 ~~- 10:00 am -~~ 4:30 pm

[illegible]

NAME	REPRESENTING
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⑰ Tom MAHER	REG III - EPA - OC/ICR
⑱ MYRON OLSTEIN	COOPERS & LYBRAND
+ ⑲ Guy M. Aydlett	Hampton Roads Sanitation Dist.
⑳ Mike Townsley	Coopers & Lybrand
㉑ H R Green	Wyeth Laboratories
+ Jack Cooper	National Food Processors Association wash., D.C.
+ Paul Hess	Hershey Foods Corporation Hershey, PA. 17033
+ L C Gilde	Campbell Soup Co, Camden NJ
+ Howard J. Lobb	Black & Veatch Cons. Engr. K.C., MO.
Grace Jones	EPA - Region III
+ J.B. Ashkana	New Castle County, Delaware
+ H. J. Amici	Penna Power + Light Co
+ John V. Dougherty	GANNETT FLEMING CORDDRY + CARPENTER, INC HARRISBURG, PA.
+ John E. O'Brien	MATLACK, INC.

Moran
Townsley
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Maher
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ICR PUBLIC MEETING

BENJAMIN FRANKLIN HOTEL

OCTOBER 20, 1978 - 10:00 am - 4:30 pm

NAME	REPRESENTING
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+Thomas L. Goodwin	W.Va. Dept of Natural Resources
+Jim Canterbury	W. Va. Dept. of Natural Resources
+V. J GORDON Jr	Roy F. WESTON INC.
+D.S. Patterson	Prior Coated Metals.
+W.G. Weidman	Betz Labs., Trevose, Pa.
+D. G. Clarke	Rohm + Haas Co.
+Thomas Kulesza	Phila. Water Dept.
+Paul J. Sieracki	" " "
+Fred Grant	EPA-Region III
+Bruce Kraeuter	Water Resources Agency for New Castle County
+R.P. SCHIWALL	A.W. MARTIN ASSOC.
+M.J. Hopkins	Pa State & United States, Brewers A
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George [illegible]	Betz-Converse Murdoch.
+Joseph W. LaCerra	C. Schmidt & Sons Phila.
+William MOORE	Rohm + Haas & Co.
+Tom Healey	Phila Water
+Bob Reed	EPA - Fin.
+Bill [illegible]	EPA FINANCE
+Paul R Gandolfo	EPA AUDIT

ICR PUBLIC MEETING

BENJAMIN FRANKLIN HOTEL

OCTOBER 20, 1978 - 10:00 am - 4:30 pm

WILLIAMS ?

attendees

NAME	REPRESENTING	
John H. Williams	Western Electric	Allentown, Pa
Joseph Selwen	Crown Paper Board.	
William C. LaFrankie	Ped Incorporated	Allentown, Pa.
J. Robert Gallagher	D.V.R.P.C	Phila. Pa.
Robert A. Schwarz	Landis Sewerage Authority	Vineland, N.J
[illegible]	Landis Sewerage Auth	Vineland, N.J.
Gardner Cox	Penjerdel Corp Env. Improvement Committee.	Phila PA
[illegible]	F&M Schaefer Brewing Co.	Allentown Pa.
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V.R. Hathaway	JACA Corp.	Ft. Washington
⑪ Don Kulitz ??	City of Allentown	
Richard Snide	Lehigh Valley Dairy —	Allentown, Pa
Michael D. Vena	City of Camden, N.J.	
C. J. Basti	Coopers & Lybrand	
Blake C. Marks	Butz, Hudders & Tallman	Allentown Pa.

ICR PUBLIC MEETING - PHILADELPHIA
BENJAMIN FRANKLIN HOTEL
OCTOBER 20, 1978

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ICR PUBLIC MEETING - PHILADELPHIA
BENJAMIN FRANKLIN HOTEL
OCTOBER 20, 1978

REQUESTS FOR SUMMARY OF REPORT

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ORIGINAL

INDUSTRIAL COST RECOVERY PUBLIC MEETING

- - -

Civic Center
Room 201
Atlanta, Georgia

Thursday, October 26, 1978

The public meeting was convened at 10:10 a.m., Kirk Lucius presiding.

- - -

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Presentation by Coopers & Lybrand

Mr. Townsley 14

Mr. Olstein 19

Presentation by Mr. Gall 26

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Statements of attendees 49

Questions and answers 71

Closing Remarks by Mr. Lucius 77

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PROCEEDINGS

MR. LUCIUS: Good morning. It is after 10 o'clock. We will go ahead and start the meeting. My name is Kirk Lucius. I am Deputy Director of the Water Division in Atlanta.

It is my pleasure to welcome you today to participate in this meeting, which is part of EPA's study of industrial cost recovery.

At this time I would like to intorduce the other members of the panel. On my left is John Hurlebaus, Chief, Grants Administration Section, Program Support Branch, Water Division.

To his left is John Gall, Region 1, EPA. He is on the Headquarters Task Force for Industrial Cost Recovery. To my far right is J. Mikal Townsley of Coopers and Lybrand, and to his left Myron Olstein of Coopers and Lybrand, the consulting firm that has conducted the study nationally for EPA.

It is our sincere intention that the public be involved in this study, and I want to assure all of you that the statements and concerns expressed here today will be reflected in the final report that is submitted to Congress in December.

In order to make certain that everyone has the opportunity to be heard, we will observe the following format for the meeting.

1. An explanation of the ICR study and of this meeting by John Hurlebaus, our regional specialist for user charge and industrial cost recovery;

2. A briefing on the project scope and methodology by Mike Townsley of Coopers & Lybrand, the management consulting and accounting firm hired by EPA To assist us in the study;

3. A presentation by Myron Olstein of the findings and conclusions of the study, as well as some of the possible recommendations which could be made as a result of the study.

4. We will have a statement by John Gall, member of the Headquarters Task Force.

5. We will hear the prepared statements by those individuals who have scheduled a statement in advance, and I believe at this time we only have five of those.

6. We will hear statements by anyone else who wishes to speak, and, lastly, the panel will have a question and answer period.

We intend for everyone to be heard today who wishes to speak, but we ask your cooperation in following the format and holding any questions you might have until the question and answer period.

We want Congress to be aware of the grass roots concerns related to ICR, and we intend to stay here as long as necessary to conclude the discussion.

We have a court reporter with us today, and a transcript of the meeting will be appended to the final report which goes to Congress.

Without further ado I will turn the meeting over to John Hurlebaus who will explain the purpose of the study and the meeting.

MR. HURLEBAUS: Good morning. My name is John Hurlebaus. It is my responsibility to coordinate review and approval of user charge and industrial cost recovery systems for EPA grantees in Region 4. I would like to tell you briefly why the ICR study is being conducted, and why we are having this meeting.

As we all know, the passage of the Federal Water Pollution Control Act Amendments of 1972, which most people call Public Law 92-500, intended that wastewater treatment facilities be operated as non-profit public utilities. Section 204(b) of the 1972 Act required grantees to develop and maintain two kinds of rate systems: The first was the user charge, which is usually abbreviated UC. That is to cover the operating, maintenance and replacement costs of the treatment system from the users of the system on a proportional basis related to usage, and we also have the industrial cost recovery, abbreviated ICR, to recover from the industrial users of sewer systems the portion of the EPA grant allocable tothe construction of sewage treatment capacity for industrial users.

While some jurisdictions disagree with EPA's regulations and guidelines related to user charges, most grantees agree in principle with the idea of economic self-sufficiency for wastewater treatment systems. Industrial cost recovery, on the other hand, is a topic which has caused considerable debate over the last six years. In response to many questions and much discussion, Congress in December of 1977, enacted the Clean Water Act of 1977, Public Law 95-217.

This Act made several modifications to the 1972 Act. One of the requirements of the Act was set forth in Section 75, which specified that EPA would study the "efficiency of, and need for," ICR. The study was to include, but not be limited to, an analysis of the impact of ICR upon rural communities, and on industries in economically distressed areas or areas of high unemployment. The report must be delivered to Congress by December 31, 1978.

In May of this year, EPA contracted with Coopers & Lybrand to conduct the ICR study for the Agency. Coopers & Lybrand, a management consulting and accounting firm, is one of the largest of the "Big 8" certified public accounting firms. The firm was selected for several reasons. Some of the key reasons were: Coopers & Lybrand had the necessary expertise and familiarity with user charge and industrial cost recovery requirements, since they have done quite a few of them; they had sufficient expereinced personnel to perform the study within the very short time period available; and the firm was respected by the industrial community and by local governments, both sectors which had had previous exposure to CPA firms,as objective and disinterested auditors, as well as management consultants.

The purpose of the ICR study was to carry out the instructions of Congress. The basis for the contractor's scope of work were the questions inserted in the Congressional Record of December 15, 1977 by Congressman Roberts:-- and I quote -- "It has long been the intent of Congress to encourage participation in publicly owned treatment works by industry. The conferees are most concerned over the impact the industrial cost recovery provision of existing law may have on industry participation on these public systems. Accordingly, the industrial cost recovery study, section 75, has been incorporated in the conference report, and EPA is encouraged to submit the results of the study as soon as possible so that Congress can take action on any recommendations that are forthcoming."

It is expected that the Administrator will consult with all interested groups in conducting this study and that the study will address at least the following questions:

First, whether the industrial cost recovery program discriminates against particular industries or industrial plants in different locations, and do small town businesses pay more than their urban counterparts? What is the combined impact on such industries of the user charge and ICR requirements?

Second, whether the ICR program and resultant user charges cause some communities to charge much higher costs for wastewater treatment than other communities in the same geographical area? (Some communities have indicated that disparities in ICR and user charges affect employment opportunities.) Whether a mechanism should be provided whereby a community may lower its user and ICR charges to a level that is competitive with other communities in order to restore parity?

Third, whether the ICR program drives industries out of municipal systems, the extent and the community impact?

Fourth, whether industries tying into municipal systems pay more or less for pollution control than direct dischargers?

Fifth, whether the ICr program encourages conservation, the extent and the economic or environmental impact?

Sixth, whether the ICR program encourages cost effective solutions to water pollution problems?

Seventh, how much revenue will this program produce for local, state and federal governments, and to what use will or should these revenuse be put?

Eighth, determination of the administrative costs of this program, additional billing costs imposed, costs associated with the monitoring of industrial effluent for the purpose of calculating the ICR charges, ancillary benefits associated with the monitoring of industrial effluent, procedures necessary to take account of changes in the number of industries discharging into municipal plants, and the impacts of seasonal or other changes in the characteristics and quantity of effluents discharged by individual industries?

Ninth, whether small industries should be exempted from ICR? How should small be defined? Is there a reasonable floor that can be established for ICR based upon percentage flow?

Coopers & Lybrand has been busy for the past five months asking questions and gathering data from a cross sectio of viewpoints. As a final action in their data collection phase, ten meetings are being held in the ten EPA regional office cities, to present a summary of the data gathered to date, as well as a preliminary set of conclusions as to what the data means.

We would like to gather data and statements from those interested parties with whom we have not had the opportunity to talk in the past, and want to present a list of some of the alternatives to ICR which could be recommended.

Finally, we want to answer as many of your questions as we can reasonably answer. Our primary purpose, though, is to listen to your comments.

With that I will call on Mike Townsley of Coopers & Lybrand, who will tell us briefly just what it is that they have been doing for the past five months.

MR. TOWNSLEY: Good morning. I am Mike Townsley of Coopers & Lybrand, and I have been responsible for most of the data collection and field work in the Eastern half of the country. We have somebody doing roughly the same thing in the Western half, and they are in the regional cities of the West this week.

What I would like to do is cover briefly how we went about planning and collecting the data we are using. When EPA asked us to conduct the ICR study, the first thing we did was to read the 1972 legislative history related to user charge and industrial cost recovery, to find out exactly what ICR was supposed to accomplish. Stated briefly, there are two major ideas contained inthe legislative history: equity, or the equalizing of the assumed economic advantage, namely, less expensive sewage costs, for those industries using public sewer systems, as opposed to those industries traating their own sewage, and capacity, or the appropriate sizing of wastewater treatment plants with adequate but not excess future capacity.

A third idea, but not as central to ICR as the first two, was to encourage water conservation.

This background material, together with the legislative history related to the 1977 Act, and especially Congressman Roberts' questions, which we have already discussed, and Congresswoman Heckler's emphatic statements on ICR, served as the frame of reference for us to plan the study.

The initial step in late May of this year was to sit down with EPA personnel, including John Pai, John Gall, and Ted Horn, and put together a "shopping list" of every piece of data that we thought would be useful in answering the specific questions already asked about ICR, and some relate to user charges, as well as addressing more general issues that were involved.

We took this list of data elements, and converted it into two draft survey questionnaires: one for industry and one for grantees. The draft industrial questionnaires were reviewed with the National Food Processors Association, and the National Association of Manufacturers and other public and industrial associations and groups, and revised somewhat.

After refining the questionnaires we developed a list of people to survey. We compiled, with EPA regional office assistance, a list of approximately 100 cities which we planned to visit. These cities ranged in size from under 1,000 to New York City. We eventually visited approximately 120 cities, some of them twice, if there was strong local interest in the study.

Our standard procedure was to attempt to meet first with the local agency responsible for wastewater, then with industrial people, then with civic or public groups late in the day. We mailed questionnaires out ahead of time to people we were going to meet with, so they knew the kinds of data we were looking for. We stressed that participation in the survey was voluntary. In many cases people mailed in completed questionnaires rather than meeting with us personally because it sometimes took a lot of effort, and they mailed the questionnaires back to us. In all cases we stressed the participation in our survey was voluntary.

A list of 200 additional cities was put together for telephone surveys. The same questionnaires were used.

We sent the questionnaires to them, discussed with them over the phone, and in most cases got the questionnaires back by mail.

A group of five, later expanded to six, industries was selected for detailedstudy. Although we were interested in industry generally, we were particularly interested in industries which met one or more of these criteria:

1. labor intensive
2. low operating margin
3. high water use
4. size of industry
5. seasonality
6. extent of pretreatment.

The industries eventually selected for detailed study were: meat packing, dairy products, paper and allied products secondary metal products, canned and frozen fruit and vegetables, and textiles.

A list of selected establishments in those industries located in the cities which we were going to visit was prepared, and survey forms mailed to those establishments. The entire data collection effort was to be accomplished in six weeks, using ten teams of Coopers & Lybrand consultants. This meant at times we had up to ten different teams on the road in almost every state, visiting industry and cities.

The second step in the study, and just as important as the first, was to develop mechanisms for public participation in the study. We wanted grass roots involvement, and wanted an open study. We put together an ICR advisory group of approximately 40 individuals, representing industrial, environmental, civic, local government, and congressional interests, and relied on them to keep their local chapters involved in the study advised of what was happening with the project. Monthly meetings were held in Washington, and transcripts of the meetings mailed to anyone wanting them.

The third step in the project was to summarize and analyze this data collected. This is going on right now. While we have reached some preliminary conclusions as to what the data means, we will be analyzing the data more and be finding out more in the next week or two.

We have looked at enough data to be able to formulate some possible alternatives to ICR as it is presently constituted. The purpose of our meeting today is to relate to you what we found, and to get your reaction to it, and today we will finish up the Eastern half. I think Seattle is ending today.

Then in December we will begin to write our final report, which will be delivered to Congress in late December. the final report will contain recommendations to Congress. We cannot, of course, guarantee that Congress will act on our recommendations.

I will now turn the meeting over to Myron Olstein who will relate to you what we found, what we think it means, and what possible alternatives could be suggested.

MR. OLSTEIN: Good morning. I would like to briefly discuss the study findings, the analysis of the findings, and then to present some possible alternatives.

The data and statistics I will be using are based on our study, and are currently being studied, evaluated and updated in our Washington office. Some of the data that we obtained was summarized in a handout entitled ICR Study Data, dated October 10, 1978, which you should have received prior to the meeting.

The final version of the data analysis as well as all of the supporting data will of course be appended to and included in our final report. In the meantime I would like to caution you that any data that you see or that I will be using in my discussion is average data and requires some very careful thought before we use it.

We eventually got data from 241 grantees. The best data came from places where we actual ly visited. The data obtained thorugh telephone surveys was not as complete or precise. We also obtained data from 397 industrial facilities, most of it through the effort of trade associations. The industrial data is at plant level, rather than company level.

Let's take a look first at the things ICR was supposed to accomplish. Looking at the major issues before looking at specific data, the first thing we want to address is the issue of equity, or the assumed economic advantage, namely, less expensive sewage costs, for industries using POTWs, versus those treating and discharging their own wastes.

We used a computerized model which we had developed for industrial clients, and modified it to reflect user charges and ICR situations. Basically, the model incorporates equations which reflect the cost of doing business, and enable a company to evaluate alternatives -- in essence, a "make or buy" decision: Should the company use a POTW, or should it treat its own sewage?

What we found was that, for some medium or large industries having compatible wastes, it is cheaper in the long run to self-treat, even without including ICR, just user charges. This to us is a very significant finding. What it means is that, even without ICR or pretreatment costs, large industry should from a purely conomic viewpoint treat its own sewage. This is based on several tax changes that were not really known to the Public Works Committee, since they were enacted after the passage of P.L. 92-500.

These included: accelerated depreciation (over a five-year period) for pollution control equipment; investment tax credit for capital equipment, and the use of tax-free industrial development bonds to finance self-treatment facilities.

The tax law changes just recently enacted by Congress make it even more attractive to industries to self-treat, because of the increased investment tax credits.

What this finding says is that for many industries, it is cheaper to self-treat than to use a POTW. If this is the case, why don't more industries self-treat? By talking to a number of industries we found out there are a number of reasons:

They are not geographically located on a river or stream and must use a POTW, or they just don't want the hassle of self-treatment -- NPDES permit, sewage plant operations, etc., or, possibly most important, user charge, industrial cost recovery has not been in effect long enough to see its impact.

The significant thing to bear in mind though is that if ICR and pretreatment costs are added on top of user charges, they could be the final straw that drives industry out of POTWs, thus making it more expensive for remaining POTW customers to use a POTW. In particular, EPA's application of pretreatment standards is likely to make a number of industries consider self-treatment.

Going back to the 1972 Water Act, the second major issue is that of POTW capacity. Based on the survey of 241 wastewater treatment facilities from which we obtained data, the average POTW uses only 68 per cent of its design capacity. The usage ranges from a low of 4 per cent to a high of 120 per cent.

It appears that ICR, as presently formulated, has not acted to put a cap on the consturction of excess future capacity in POTWs.

The third issue, that of water conservation, is not quite as clear. Based on the industries we surveyed, water consumption has dropped an average of 29 per cent, but the industries with whom we talked attributed that primarily to the higher water rates and to user charges, not to ICR, because ICR, as a percentage of water bill and user charges, is not that significant at this time.

Going to the specific questions posed by Congressman Roberts, the questions that resulted in this study mandated in the 1977 Act, the economic impact of ICR to date is not significant in most locales because ICr has not been in effect for more than a year or two and most grantees have suspended ICR billings while the moratorium is in effect.

The incremental impact of ICR above user charges is generally not great with the exception of the two cases of seasonal users and or mass wastewater treatment. The combined impact of UC/ICR can be very significant.

We can find only a few scattered instances of plant closings due to sewage costs, and none attributable solely to ICR. The total jobs lost in the plants that did close was less than 1,000. In every case, and we investigated every one of them, there were other factors such as plant age which affected the plant closing also.

The impact of ICR appears to be greatest in older cities, particularly in the northeast, and particularly in small to medium sized cities, and in agricultural communities where we tend to find more seasonal users. There does not appear to be any impact of ICR on the industrial growth patterns to date. We were not able to differentiate the impact of ICR on small versus large businesses, because very few industrial plants were willing to disclose production or sales data that we would need to make that analysis.

The cost to industry of sewage treatment is much greater, by about 50 per cent per gallon in AWT plants as compared with secondary plants.

The final area we looked at is the incremental cost to grantees. The incremental cost to grantees to maintain and operate ICR, that is, the eliminatable cost above and beyond UC costs, is small, when compared to the total costs of sewage, averaging about $15,000 per grantee per year.

Average ICR revenues per grantee per year are approximately $88,000, of which $8,800 is retained for discretionary use by the grantee. I think it is worth pointing out both of these numbers should increase. Total ICR revenues will go up in time as more grant facilities come onstream and as more industry uses it, and of course since that $15,000 represents primarily labor costs, that also will increase over time.

There is more data which might be of interest to you that is included in the handout. Both Mike and I would be pleased discuss specific data during the question and answer period at the end of our meeting.

To summarize our findings and conclusions very briefly: ICR is not doing what it was supposed to do back in '72. ICR has had relatively limited economic impact because very few cities have to date implemented ICR, and most of those that have implemented it have suspended collections.

ICR to date has had no significant impact on employment, plant closings, industrial growth, import-export balance, or bcal tax bases. Finally, ICR is not proving cost-effective, in producing revenues for local or federal government, at least in most cities.

What I have just discussed are the quantifiable things associated with ICR, but we have to remember however that the Clean Water Act had a number of societal objectives as well as the purely economic ones which we analyzed.

Among other things, Congress was attempting to avoid the appearance of using public money to subsidize industries that discharged to grant funded POTWs. While our studies have shown that many of the economic objectives have not been met, the societal objectives remain. Accordingly, it is appropriate to consider a series of alternatives to ICR as it now exists.

At this time I would like to point out that wemade available a document entitled Preliminary Compilation of Possible Study Alternatives dated October 10, 1978. That document contains some 16 alternatives ranging all the way from leaving ICR as it now is to outright elimination of ICR. These alternatives are not mutually exclusive. Many of them can be combined concurrently. In a little while I will be going through each of those alternatives. What we would like to do is receive questions and comments on each one individually.

Before we get to that I would like to turn the meeting over very briefly to John Gall for some comments. John is the UC/ICR specialist in Region 1 who during the tour of the Eastern cities has been acting as a representative of EPA Headquarters.

MR. GALL: Thank you, Myron. As Myron indicated, my normal base of operations is in Boston, but for about the past seven months I have been associated with this study as part of the technical advisory group which Mike Townsley mentioned earlier, so I am here to represent the Washington office of EPA, if you will.

In that regard I bring Washington's apologies to anyone who may feel they suffered a severely short lead time in notice on this meeting. As you can well understand, we are suffering under a legislative mandate to deliver this study to Congress by December 31, and frankly by the time we got cranked up early this year, all of our schedules and deadlines had been compressed further and further as we go along, so unfortunately I think the short lead time is a necessary evil in the conduct of this particular study.

We are however going to leave the record open for written comments, either on what you hear today or any other things that may come to your mind in the next few weeks, and any comments which are received prior to November 6 will be made part of the final report of Coopers & Lybrand and eventually be distributed to Congress.

If you do plan to make comments, I think it would be beneficial if you sent copies first -- the original, if you would -- to John here at the Region 4 office and at the same time send a carbon copy to Myron Olstein at Coopers & Lybrand in Washington. I will give you their address, and I am sure it will be mentioned several other times today. It is Coopers & Lybrand, 1800 M Street, Washington, D.C., and the zip code is 20036.

As I indicated we are going to be delivering this report to Congress by the end of this year under themandate of Section 75 of the Clean Water Act of 1977. To give you a brief idea of what is going to take place after this meeting, which is the last of the five Eastern meetings, and how the Coopers report will dovetail with what is going to take place in the future, we expect that sometime in the latter part of November their report will be available to us in a draft final form.

During the early part of the month of December it will go through a review at EPA washington level, and in the latter part of the month of December it will be distributed to Congress.

One point I want to make specifically is that Coopers & Lybrand will make recommendations to the Agency. It is of course then our job, if you will, to take their recommendations to review them in terms of both the national policy as EPA perceives it, and to prepare a set of recommendations to Congress.

Obviously there is a chance for changes and modifications in that step. Lastly of course ours will only be recommendations to Congress, and the final decision is obviously going to be one at the Congressional level.

But I would like you to keep in mind as we go through the meeting today it is not, if youwill, a consensus form of government here today but more to obtain your input in specific instances if we can so we can build a strong case one way or the other.

It probably would be a good idea at this time if we took about a 15 minute break for those of you who wish to stretch your legs. During that 15 minutes you can use the time to review our list of alternatives so when we come back Myron can lead a discussion as to pros and cons, and then you might talk to us.

(Recess)

MR. LUCIUS: I think we are ready to start the meeting again. Next we are going to get into the alternatives, and Mr. Olstein will be reviewing those with you now.

MR. OLSTEIN: What I would like to do, before I get into them, I would like to say that I personally and Coopers and Lybrand and EPA don't endorse a specific alternative. The idea here is to elicit comments and questions from you.

In Boston one fellow was very angry about Alternative 13. He said, Well, you told us how bad it was, and now you are suggesting we make it even bigger. There are some people who believe that ICR is not large enough which is why it is there, but don't blame us; tell us if you don't like it.

I will be going over these one at a time, and I would prefer if at all possible to have questions and comments on each one as we consider them. If you do have a question or comment, when you get up to speak, please give your name and affiliation so that the court reporter may identify in the transcript who the question came from.

I will just very briefly go over the advantages and disadvantages. I am sure we can all read from the detail here. Alternative No. 1 would be just abolish ICR outright. Obviously that would eliminate all of the complaints that were made regarding cost effectiveness and the inconsistency in ICR. The problem is it doesn't deal with the so-called societal objectives that ICR is supposed to achieve.

Are there any comments or questions on that alternative.

MR. VAN LANDINGHAM: Gwinnett County Water Pollution Control Department.

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I certainly didn't want this one to go by without some comment. My comment is on the disadvantages, and certainly the disadvantages that are shown in this paper are certainly weak as far as disadvantages to the abolishment of

ICR. I certainly say as far as the No. 1 disadvantage, certainly EPA doesn't have the control over the design plan, I have been very fooled and I don't know what they do have, but I think certainly that the controls are there as far as design parameters, and I can't for the life of me see how the facility could construct or design or plan for larger than what is necessary now. Of course, to eliminate ICR revenue returns to the Federal Government, I can't see anything wrong with that either.

MR. ROZIER: I agree with what he says.

VOICE: Do you want to establish a procedure on these things?

MR. OLSTEIN: Yes. What we have been doing is commenting on each one individually, and we are still going to have a question and answer period afterwards. If you want to make any summary comments, you will be able to do that then also.

MR. ROZIER: My name is Mel Rozier, DeKalb County. I agree with Mr. Van Landingham from Gwinnett County, Georgia, concerning this elimination of ICR revenue return from the Federal Government. I agree there is nothing wrong with that. In fact, the returning of the revenues from the Federal Government makes this program a loan program instead of a grant program.

Also, it is very inefficient to return money to the Federal Government in this manner. It is a very poor bureaucracy. I am sure there are other disadvantages we can come up with in addition to these. Hopefully it will be covered in our statement.

MR. GADDIS: My name is Fred Gaddis. I am the Mayor of Forest, Mississippi. Being from Mississippi, I am not supposed to have much sense to start with. I had the rare opportunity to attend (inaudible) __________ University, University of South Carolina, University of Georgia and finally Columbia University in New York, but I feel like my experience is better than education.

I have been the mayor of my city since 1962. I was involved with the implementation of this monstrosity that we were forced to build by EPA. I want to speak for and on behalf of the abolition of the industrial cost recovery phase. I would like my remarks to cover general comments with reference to the entire program.

I am from a small town of 4,085 people, by official population of 1970. We are gifted to have four major water using industries, namely poultry plants, in our city. They employ 2120 people directly and indirectly which is a large contributor toward the economy of our small area.

Industrial cost recovery to these plants at certain times would be a terrific hardship for them,in times when their price structure fluctuates up and downas radically as it does. To me the whole thing of industrial cost recovery doesn't add up so far as overall or national economic impact is concerned.

If a plant is fortunate enough with the present governmental regulations of EPA, Pure Food and Drug, USDA, local municipalities, if they are fortunate enough to make a profit at that point, then they are going to pay a large share of their profits into the Internal Revenue Service. If we should eliminate completely the entire industrial cost recovery part of the program, I still believe that the Federal Government would receive as much money in net income as they would to leave industrial cost recovery in the program.

No. 2, our small municipality does not have a large number of people who are qualified to implement and formulate and to collect the proposed industrial cost recovery monies due to the complexity of the formulas that are involved in the calculation.

I have in my hand here a copy of the industrial cost recovery formulas as used to calculate four different industries in our city. Each of these formulas is completely different. It looks like to me a fire control formula used to calculate the fire of a battle ship trying to intercept a projecting missile coming from some foreign battleship to interpret this.

We hired an engineer to work out this kind of a system, but we can't maintain an engineer on our staff to actually get involved in the cost of the collection of these things. I for one want to go on record as saying that I realize that part of industrial cost recovery is designed to stay at the local level, to replace worn out parts at some point in time during the time that your sewerage system goes out of order.

To answer the question regarding this phase of ICR, you know a local municipality must charge a customer under a user charge an amount sufficient to take care of the cost of operation of this monstrosity that we have in our city. We budgeted in the beginning about $5,000 per month for the operation of our sewer plant to cover the cost of electricty based on the best known facts that we had at our command.

Last month our electric bill was $9,886, you might say double. So what did we have to do? We had to raise our rates from 30 cents 59 43 cents to 60 cents, and we are going to have to raise them again because this level, even in a small town where we have large volume consumers and our industry pays 60 per cent of the total water and sewer revenues of our city, these industries are already burdened with, first of all, an expenditure of from $200,000 to $400,000 apiece to buy their pretreatment plants.

Now, then, they have to buy their monstrosity. Now they have to operate that sone-of-a-gun because you and I pass regulations saying that their BOD can't be but so much and their oxygen can't be but so much, and, Lord knows what your regulations is going to be tomorrow, unless you change the philosophy.

I would like to see,first of all,EPA eliminated from the whole governmental system Second from that I would like to see industrial cost recovery eliminated from the law that I know you are charged to enforce. I would like to see te economy of a small town like we live in to have a fair opportunity to exist.

My justification is this. There are 28 cities in our state that are currently only in the planning stage of these monstrosities. I know because I saw a list at the state level. Our state participation on a loan basis to a municipality to qualify for your 75 per cent grant.

Those industries that are located in those towns can't be assessed the industrial cost recovery until the monstrosity exists. It is unfair for the industries in a progressive city, small though we are, to have to be burdened with this additonal $1,700,000 repayment fee, when their competitors next door do not, assuming that they make a profit or make a loss at that point. It is unfair competition.

I have not heard your alternate make one comment with reference to that phase of your interpretation. I want that in the record, and I would like very much to have an opportunity at a later date to forward my comments for official publication.

I have already taken up the matter, asking them for a stay of execution in my state for an additional period of time, and we are already handling it from our legislative standpoint, but I would like your report to show that the mayor of a small city had the opportunity to make his thoughts known.

I have some individual remarks that might apply to all the rest of your comments there, but I think I summarize mine when I say I think the best thing to do is to completely eliminate industrial cost recovery because it will still produce for the Federal Government an amount equal to the total amount that you will receive from industrial cost recovery should the industry involved be fortunate enough to make a profit. If they can't make a profit, I would like them to be forgiven this amount so that we can employ that 2,120 a little bit longer, and thereby maintain the economy of our community a little bit longer. (Applause)

MR. ROZIER: Do you want to accept statements later?

MR. OLSTEIN: So long as we are meeting, anything that is said will go into the transcript and will of course be part of the record. We will accept in addition to that anything we get up to the 6th of November, in writing.

MR. ROZIER: I have a statement. Should I read it now or later?

MR. OLSTEIN: The objective here was to have a discussion relative to the alternatives. Following this we have prepared statements -- we have a number that have been requested -- and following the prepared statements then we will go into the question and answer period.

MR. KINCAID: John Kincaid for the City of knoxville, Tennessee.

I would like to simply state that Knoxville supports Alternative No. 1 unqualifiedly. (Applause)

MR. OLSTEIN: Are there any other comments on Alternative 1?

Alternatives 2 and 3 are somewhat similar. Both are directed at dealing with the capacity issue, and would base the percentage of the grant funds on current capacity, current utilization.

No. 2, the grant funding would be set up at current useage levels and would be 75 per cent of those levels, and for anything larger than that would be on a sliding scale, and would go down, the idea being that would increase the incentive to minimize excess future capacity.

In the case of Alternative 2, since it would be based on current generation of industrial as well as commercial and residential, ICR would be maintained according to current regulations.

In Alternative 3 the same sliding scale formula would be applied but only to domestic and commercial wastewater, and under Alternative 3 there would be no need for ICR as the Federal grant portion would not be allocable to industry.

Are there any comments on either of those?

MR. ROZIER: Mel Rozier, Dekalb County, Georgia.

If this means ICR would be maintained, I can state throughout these alternatives we are against ICR, so if you need comments every time stating that we are opposed, I will do that; but I am officially opposed to ICR, and if you don't hear any comments from me it is because we are against ICR in any form.

MR. OLSTEIN: Alternative 4 is merely an attempt to simplify ICR somewhat by limiting it to the treatment works only.

Alternative No. 5 is an attempt to deal with the so-called equity issue in another way and basically it would establish the ICR repayment rather than on a proportional basis as is currently the case it would be on an incremental cost basis, the idea here being that in that way industry would be able to receive the benefits of the economies of scale on an incremental basis.

The obvious problem is that although incremental costing is not unfamiliar to electric utilities, it would be relatively new to wastewater utilities.

Alternative No. 6 tries to provide a little more flexibility to the individual grantee, and puts the choice up to him as to whether or not he wants to accept federal funds for that portion of the treatment plant that he is going to use. That leaves it squarely up to the local level as to whether or not they are going to have ICR.

Alternative No. 7 is another attempt to simplify the problem we heard about earlier, the many computations associated with ICR, and what it will do is establish a uniform ICR rate that would be applied. It could be on a national,regional basis or whatever, but basically it would be a firm rate established by the user group that would apply wherever there was a grant-funded plant.

This would obviously reduce the inconsistencies in ICR rates from one place to another, but it may prove somewhat difficult to develop.

Alternative No. 8 is another attempt to reflect local conditions a little bit better and would provide for a number of circuit breakers for ICR exemptions based on a number of circumstances, local economic conditions, dollar amount of ICR payments, any other extraordinary circumstances.

Obviously this would bring a little more flexibility down to the local level, but it does pose a number of administrative problems, and once again the charges of inconsistency in ICR rates and payments are certainly not going to be eliminated.

Alternatives 9 and 10 are both tax methods. Alternative 9 would basically try to return things to the way the situation was in 1972 and to reverse the tax advantage, if youwill, self-treaters currently have. It has been pointed out tax credit merely gives back with one hand what we take away with the other, but that would be one way of equalizing the situation between POTW users and self-treaters.

Alternative No. 10 would extend the tax credit to the pretreatment costs that are going to be required for those industries that are affected by the pretreatment regulations.

Are there any comments on 9 or 10?

Alternative No. 11 would be to return to the requirements in Public Law 84-660 which basically applied a capital recovery charge to a more limited range of industry, SIC Division D, as opposed to the five conditions now covered under ICR, and it is strictly a local capital recovery charge with all the money staying at the local level.

MR. ROZIER: It seems to me that No. 11 is incorrectly stated. You say return to Public Law 84-660 would abolish ICR, but in accordance with what you just said, it would not abolish ICR.

MR. OLSTEIN: It would go back to what I believe was called IWCR. The difference between the two, ICR is a repayment of the federal grant potion. That section of 84-660 was repayment of the local capital portion. It has been my observation that most cities already have that now.

MR. ROZIER: I do not know whether that is true or not, that most cities and counties have that now.

MR. OLSTEIN: As part of the rate structure.

MR. ROZIER: Right. Maybe in the rate structure, but we would be opposed to going back to 84-660; and how it is treated we think should be left up to the local government, how to collect from industry and all of our customers.

MR. OLSTEIN: Alternative 12 would be to abolish ICR. It requires simply that the local share of project costs be recovered on a proportionate basis, and that would just basically extend the user charge approach to the capital portion of the POTW. To some people this wuld achieve equity in rate but, on the other hand, it would just about eliminate any flexibility that local governments would have in rate setting.

MR. KINCAID: We are getting enough help already on managing our local operation without some more. Frankly, in our community the local capital costs on new capital is being amortized universally across the board to include industry, but we would be opposed to this as a mandatory requirement.

I also think I would like to indicate that we don't favor any of them, including 2 thorugh 12 up to this point. Some of them may be better than what we have but we support No. 1 and are concerned about the others on the basis that a leaky ship you know is better than a new ship you don't know.

MR. OLSTEIN: Are there any other comments on 12?

Turning to 13, we have added interest component to te current ICR requirements. Once again this would be an attempt to get moreindustry participation in the front end planning, and it would eliminate those complaints some people have that ICR represents an interest-free loan.

On the other hand, the added costs of ICR should once again be a further encouragement to industry to go into self-treatment.

Alternative 14 would extend or postpone the date for makinga final decision on ICR. I might add there is a little more rationale behind it than is apparent here. The point has been made by a number of industry associations that if we are going to do an economic analysis of ICR as well as all of the charges industry faces, it can't be made until after all of the pretreatment regulations are out, which would be most likely three years from now.

Another thing is the fact that it has proven to be very early in the ICR program to make accurate economic assessments, the impact of that program, so that an extension would provide some more time to learn what the impacts really are.

Alternative 15 would be to maintain ICR in its current form. Obviously it wouldn't require any changes from what we have now but it woudl deal with any of the problems resulting from the study.

Alternative 16 deals with the capacity issue and would require firmer commitment from industry at the time the POTW is sized.

Finally, an additional alternative was offered at one of our prior meetings. It would be to keep all of the dollars collected under ICR and applied to those things that are industrial in nature, like administration of the pretreatment program, monitoring and that sort of thing.

Sir.

MR. McCOLLUM: I may be confused on Item 16 but we were required to revise our 201 facility plan to meet this requirement at the present time. I see now as an alternative we have it here.

MR. HURLEBAUS: The thing that required the letter of commitment, as a contract from industrial users of POTW when the agreement is signed.

MR. McCOLLUM: That is true. We have reserve capacity contracts in the county for approximately 6 million, somewhere around there, 5 million gallons , and we originally sized the interceptors in the plant to serve these industries, and because we didn't have a definite legal long-term formal legalized thing, we were required to revise the whole 201 plan, downsize our plant, downsize our interceptors, and now I see it is presented here as an alternative. This kind of surprised me.

MR. HURLEBAUS: I will have to check further, but it seems to me they required a letter of commitment possibly from all industrial users. Previously the letter of commitment to reserve the capacity was only from those industries that wanted firmly reserved capacity. The others merely made an indication of whether they intended to use the wastewater treatment facility or not.

MR. McCOLLUM: I believe Gwinnett County has signed contracts and in Gwinnett County's case these people were paying reserve capacity charge, and this was disallowed. I don't know if you are paying money to reserve capacity, that sounds like a pretty firm commitment to me.

MR. HURLEBAUS: I will have to look into the particulars of this thing. I don't really remember the 201 requiring these industries or having Gwinnett County require the industry to do that. I thought it was still in their option; if the industry wanted firmly reserved capacity, it would sign a letter of commitment, otherwise it would simply sign a letter of intent. But let me get with the project officer and look into the thing.

MR. McCOLLUM: Thank you.

MR. GALL: I would like to try to address the same issue a little bit if I might. The Agency's new regulations on cost effectiveness of course were published in late September, and they do speak to letters of commitment from industrial users during the facilities planning stage.

This alternative though I see as something different from that, in that you could, for example, under this alternative eliminate ICR completely but just insure you have adequate front end planning from the industrial community so that you don't oversize a treatment plant. The alternative points to the problem of building the capacity that you are never going to use in the future, and that is the idea of it. Then it can be melded with Option 1,if you would, to try to address the problems some people see, that is, building reserve capacity that you are never going to use.

So I think you have to think of all the alternatives in that light. They can be mixed, combined, Tax credit is a kind of abolishment to some people. So I think you have to take them all into account.

MR. OLSTEIN: If there are no more comments on these? Sir.

MR. FORD: Harold E. Ford, Southeastern Poultry Association.

What legal recourse would EPA have to collect for ICR if an industry refused to pay the assessment? Would your recourse be at the municipality level or directly upon the industry involved?

MR. GALL: I am far afield since I am an engineer and not a lawyer, but you are correct I think that our prime focus would be at the grantee because our grant is in fact a contract with the grantee.

However, there are recent revisions in the Clean Water Act that would allow us to provide technical assistance to grantees when they are having problems on their own. I am not really familiar under the circumstances that that can operate, but it would seem logical to me, which means we probably can't do it, that at that point EPA could step in as a legal consultant to the community in attempting to straighten out the problems the community has with the industry.

This is something that clearly needs to be discussed with regional counsel of EPA. What you have here today is just the opinion of an engineer.

MR. OLSTEIN: I think what would probably happen is EPA would take civil action with the grantee, and then it is up to the grantee to turn around and decide what it does at that point, whether it takes action against the industry. I think that would be the route.

The gentleman in the back.

MR. FLOYD: Bill Floyd.

My first introduction to the ICR was in a meeting in Richmond, Virginia where we had people coming down from Washington from EPA to explain that they didn't understand the regulations. Since that time I have worked on several other proposals with different consultants that I have been employed by.

At the present time I question whether items 2 through 16 can be fairly administered throughout the different EPA regions, prorated to the different industries depending on locations, depending on EPA personnel, or whether you will in fact apply the same dollar value to different industries in one specific area.

If you have an industry in Atlanta versus an industry in Knoxville, will the EPA people, and will the consultants working in those two counties, be able to charge like industries a fair and proportionate amount based on the types of wastewater treatment?

Knoxville has a pure oxygen plant, DeKalb County has a pure oxygen plant. Will we in fact charge the same industrial cost recovery to, say, poultry industries or industries such as that?

MR. OLSTEIN: I think what you are speaking to is Alternative 7. Thatwould be one attempt to achieve some uniformity in rates. Unless we have some sort of uniform rate system, you are going to have variations all over the place because ICR depends on the size of the grant, how many of your facilities are grant funded. There are so many variables.

I would be surprised if the rate were the same in any two cities just by the nature of it as it is today.

MR. FLOYD: Then basically in using these you would be applying still another variable that would have to be considered every time you approach the industry coming into your community. That again would also be based on how that particular EPA's regional personnel interpreted the regulations at the time they read them and provided you with the documentation.

MR. OLSTEIN: Are you talking about any specific alternative?

MR. FLOYD: Just the alternatives 2 through 4. Every time you build in a different variable and then you go to the consultant who has to work out the variable, this interpretation is then based on what the EPA's interpretation of that variable is.

If you are dealing with EPA in Virginia or if you are dealing with EPA in Georgia, or if you are dealing with EPA in Tennessee, then you could get a totally different picture at the same sewage treatment plant.

MR. OLSTEIN: I think it is fair to say there is indeed some variability from one region to another, but that was one of the ideas of setting up the regions also, to decentralize that operation.

You are right, whenever you have something being calculated where all the inputs go into that calculation; by the very nature that they differ you are going to come up with different rates.

If there are no more comments on the alternatives, we will go to the prepared statements in sequence.

MR. LUCIUS: We will call on our elected officials first. Mayor Gaddis, you are on the top of my list. Would you like to make any comments at this time?

MR. GADDIS: I want to thank you for the opportunity to be here today. We made whatever inquiry we could of whether we should make prepared statements or speak from our own knowledge of the situation. I do not have a prepared written statement. I think I covered pretty well the view of our municipality in my earlier statement. I want to thank you for it.

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MR. LUCIUS: Thank you, sir, for coming over today.

Next I would like to call on Mr. Mel Rozier representing Chairman Walt Russell, DeKalb County.

MR. ROZIER: Thank you. We have a five-page prepared statement -- five legal pages -- that we prepared originally in 1977 as the joint position paper with the City of Atlanta, Georgia opposing ICR in its entirety, and we prepared a resolution which was adopted by the 71st Annual Municipal Finance Officers Association international conference on public finance in April, 1977.

I would like to present this on behalf of Mr. Russell and read this cover letter to Mr. John White. Mr. Russell wanted to be here today but due to the short notice of the meeting it was one of the main deterrents of his being unable to attend.

This cover letter is dated October 26, 1978 to Mr. John White, Regional Administrator, Environmental Protection Agency, Atlanta, Georgia; Subject: DeKalb County's Statement Opposing Industrail Cost Recovery - Public Hearing of October 26, 1978.

"Dear Mr. White:

"Attached is DeKalb County's official statement opposing any form of Industrial Cost Recovery. This statement was compiled in 1977 and our position has not changed.

"The ICR concept in any form or extent results in an additional and unwarranted tax on industry which will be passed on to the consumers and taxpayers of DeKalb County and throughout the nation. This type of tax is highly inflationary and will become a model of Federal government bureaucracy and inefficiency.

"In these times of great concern by our taxpayers about the need for cutting taxes, I think the members of Congress and EPA should be aware of the consequences of such programs as ICR.

"Not only is ICR an inflationay tax, but it would create inequities in sewerage rates between adjoining counties. This would interfere with the competitiveness of plant location and would also influence the movement of existing plants. This unwarranted interference with the affairs of local government is intolerable.

"We also oppose ICR because it makes the EPA construction grant program a loan program, requiring the payback of so-called grant funds back to the Federal Treasury. This is highly inefficient and I do not think this should be the intent of the EPAconstruction grant program. If it is called a grant program, then that is what it should be.

"Your cooperation in this matter will be greatly appreciated."

MR. LUCIUS: Thank you, Mel. Next I would like to call on Mr. Leland Cook.

MR. COOK: I am Lee Cook, Cook Coggin Enginners, Consultants for the City of Meridian, Mississippi. I would like to read a statement prepared by the Mayor of Meridian.

"The City of Meridian, after six years of diligent effort under Public Law 92-500, is on the brink of launching its construction program of wastewater treatment facilities. We are deeply concerned with the implications that the proposed

Industrial Cost Recoery System will bring to our city of about 50,000 people.

"We wish to take this opportunity to express our objection to the ICR System for the following reasons:

"1. Administration of the ICR System will be a tremendous burden, and vexing to say the least. In our small town (but the second largest in Mississippi), we have about 400 commercial and industrial users who would probably become entrapped in the system. We can visualize a separate division of our water and sewer department just to administer the program.

"2. At what flow value would a user be exempt from the ICR System? There are certain fixed administrative costs, such as sampling, analyzing, billing, collecting and record keeping which are independent of the flow quantity of the user. In our opinion, administrative costs would exceed the present ten per cent of the total charges which municipalities would be allwoed to retain.

"3. Due to the strict effluent limitations placed upon our community, the ICR charges would be higher here than in some of our neighboring communities where lesser (secondary) discharges are permitted. This differential in charges would place our community in an unfair position in trying to attract new industry, or keep the industry which we have for that matter.

"4. We also believe that such a system will tend to drive industry out of municipal systems, even to rural areas at a location where the industry, as a separate discharger, could utilize secondary treatment.

"We respectfully request that you seriously consider these arguments in forming your opinion."

MR. LUCIUS: Next I would like to call on Mr. Carl Landsman representing the Georgia Pacific Corporation.

MR. LANDSMAN: I would like to welcome you folks down to Atlanta, Georgia, the state in which Georgia Pacific is chartered as a corporation and where we had our initial beginnings.

You might notice also that as a corporate headquarters function some of our central engineering folks have come back here to take care of the state in proper fashion.

We have been subject to, as the nation's largest integrated forest products corporation, a number of these ICR schemes at several of our more than 200 facilities across the country. I think generally we would have to conclude that Coopers & Lybrand's initial findings are roughly correct, that is, that we have in industrial cost recovery a system which is not particularly well entrenched yet, that is, we have the opportunity to get rid of this monster before it grows, or we have a system which has not as yet forced individual production entities out of business but yet it has also not yet had a chance to put out its tentacles into the entirety of the country.

I would have to however disagree with I think three points that are fundamental to the conduct of this study. The first point is that -- and I realize it was at the direction of both the Bnvironmental Brotection Agency and Congress -- you look for Armageddon or absolute catastrophic circumstances.

I think as rational persons involved in theeconomy of major corporations we and Coopers and Lybrand should early have realizedthat there are no real catastrophic situations set up by the introduction of yet another incremental cost.

It is however the subtle interworkings of various incremental costs added to various production facilities that causes long term changes in the nature of our economy, and I regret to say that from both the presentations that we have seen and from the initial information made public about the study, there has been precious little time and effort expended to find the subtle changes in the nature of production. [illegible]

The third thing is I have to object very strongly to what is purported and touted around EPA to be an objective study wherein one of the tasks in that study, to find out whether a system is necessary, is workable, and what its impacts are, is to generate another set of alternatives for either disposing of the beast or amputating arms and legs.

I don't think it is particularly proper to conduct an objective study and simultaneously generate the type of alternatives that we have been confronted with today. That is the reason that I did not discuss any of the alternatives during that particular portion of the show.

I would like to say that there was a third problem that relates in particular to a small segment of the pulp and paper industry, and I am sure the Coopers and Lybrand and EPA people are, there are two types of paper making facilities. There is the integrated facility which has its own pumping, perhaps its own wood preparation and carries out either the production of an intermediate or finished paper product, and then there is the converting facility, if you will, which takes the paper at some step in the production and finishes it.

We see various systems where a paper coating layer is produced in one mill and the rest of it is produced in another. We see the corrugated box industry and so forth. The nature of the converting facilities is that there are very low employer people in a particular plant, they are a small plant, and generally they are kept at an arm's length from the corporation, that is, the company will not jump in and bail out a foundering small productive entity but will usually seek to dispose of it with another company that can perhaps make better use of it.

Here we are getting back to the subtle changes. We are a very large corporation, and we have become large by acquiring smaller corporations and smaller entities as well as by developing internally our own production facilities. It would be foolish for me to say that we feel by adding the incremental costs of industrial cost recovery to a small production facility's total cost picture you are hurting us. What you are doing is you are setting a number of these marginal facilities up for grabs, and we thank you for it.

However, the company also realizes that competition is what made us number one, and we feel a little bad about having to go back and pick up mutilated pieces of a small production entity when various governmental regulations piled on such incremental costs that it becomes no longer profitable to operate it.

I don't think you will see many of these converting facilities shutting down in the near future because of ICR, and it was a shame you had to waste your time looking for them.

The next thing I would like to say is that industrial cost recovery does not exist in a vacuum all by itself. It is part of a strategy that was developed in 1971-72 in Congress. On paper it looked like it made sense. In the meantime we have added, as you have stated, changes in the tax laws where even to amortize our investments in a different way we are able to obtain tax credits that weren't previously available, and for some of our facilities it becomes desirable to go ahead and treat on our own.

It would be sort of ironic, I think, that by requiring all 201 grantees that they develop an ICR program and recover these funds, then industry finds, Heck, it's just cheaper and makes more economic sense to move out of the system, leaving large parts of a federally financed scheme of waste treatment across the country underutilized or abandoned.

It doesn't make any sense to me, and I hope it doesn't make any sense to you.

The second thing is that just recently, in September of this year, EPA came out with a final pretreatment regulation. The nature of these pretreatment regulations are that

STEPHEN B. MILLER & ASSOCIATES 245 THIRD STREET S.W. WASHINGTON, D.C. 20024

if you have any toxic or hazardous material or any material that passes through untreated through the municipal treatment works, you as an industry are going to have to provide what is called the best available technology for the elimination of that pollutant.

It quite often happens that industrial wastewaters are not treatable for a specific component but rather you have to draw out a number of components from that waste treatment simultaneously with the effective treatment or pretreatment fr that particular waste.

I think what you are going to find in the pulp and paper industry in particular is that if any toxic,hazardous or pass-through materials are found in our waste streams going to the municipal treatment works, we are going to be required to put in full biological treatment and filtration of the effluent to remove this biological solvent.

At that point there is no difference between that particular effluent from the pretreatment works and what we are allowed to discharge directly to the nation's waters in the effluent guidelines. I can think of a number of our paper mills, most ly smaller mills in terms of total production today, which are hooked up to municipal treatment works: one in particular at Plattsburgh, New York, where we in combination with Diamond International and Imperial

Wallcovers and the State University of New York, have basically almost purchased and put in place for the city through their development bonds a very effective secondary waste treatment facility.

We are very much concerned that after having amortized a fair portion of that investment already and moving very closely to the date when it is fully paid off, EPA through its pretreatment program will force us out of that facility, abandoning a 50 million gallon a day hydraulic capacity, 16 million gallon a day normal average dry water flow capacity plant for use by a medium sized Strategic Air Command bomber base, a town of just a few thousand people, and a few summertime resorts on Lake Champlain. It doesn't make any sense at all.

We are at that particular facility now expanding our pulping, and we are in the process of offering to the City of Plattsburgh that we would pay outright for the capacity increase to the plant if we can just keep EPA's tentacles away.

Industrial cost recovery for us at that plant would mean that if any portion of that facility were to be expanded, we as the provider of 50 per cent of the flow, and well over 50 per cent of the BOD, and approximately 30 per cent of the total solids that go through that plant, would be paying basically for almost all of that expansion.

It makes no sense for us in that particular situation to go ahead and go through EPA's grant program. If industrial cost recovery and pretreatment programs were relaxed or abandoned, it might make some sense to make use of this and to provide New York State's highest county of unemployment additional employment opportunities.

I would like to also cite two examples from the State or Oregon which our department has recently transferred which also have to do with industrial cost recovery folly. The first is the unified sewerage agency of Washington County, an area that is rapidly growing around the Portland metropolitan area.

The scheme there is to provide advanced waste treatment, very expenseive, and a long system of regional interceptor sewers to accommodate a fairly large future but very small present population.

Industrial cost recovery would require of us, when the moratorium is lifted, of all industries in that area, very substantial payments for interceptor sewer system which really doesn't serve but one industrial facility, that being Techtronics, the maker of oscilloscopes, and the only service they would receive is the sanitry wastes from their employees' shower facilities.

The second prime example from the State of Oregon of industrial cost recovery folly is down in Salem, Oregon. It is a relatively small state capital, but has a number of canneries, in fact it is the hub of canning in all of that valley. An infiltration inflow study conducted as part of the 201 analysis plan for the recent upgrading of that facilit found that it was not cost effective to eliminate sources of infiltration of inflow because the rains come in the winter and the canneries come in the summer, and the net average hydraulic load to the plant is constant.

However, industrial cost recovery scheme that was proposed for this plant had industry paying for that major portion of the excess capacity of the plant which is used by stormwater from leaky city sewers.

There is a way to eliminate some of these industrial cost recovery follies, but I think that the only reasonable way to eliminate some of the problems that are now surfacing, and which will become more acute, is to get rid of the thing. (Applause)

MR. LUCIUS: Next, Mr. Harold Ford.

MR. FORD: The comment I would like to make is primarily a change from what I came to say, but more or less a review of what I have heard here today.

We have heard a mayor from a small town in Mississippi expressing how companies in his area are discriminated against because of this program in relationship to the cost,in relationship to the competitors in other towns. We have heard the same theme from a larger town of Knoxville, and then we have heard a discussion from DeKalb County which is wall to wall with municipalities, and I have heard only one thread of thought here, and that is the program design had in mind to be great things to a lot of people, but apparently it hasn't workedthat way.

There is certainly nothing wrong with admitting the program is not solving the problem; it has created more problems than it has solved, and to abolish it certainly should not be an embarrassment to anyone, or certainly no government agency.

If it is not working and not doing its job, let's eliminate it and get on to some more constructive programs. I sand here to submit on behalf of the poultry industry that we support the abolishment.

MR. LUCIUS: Mr. Ford, would you state the name of the organization you represent?

Mr. FORD: Yes. Southeastern Poultry & Egg Association which is a regional trade group representing the twelve southeastern states.

MR. LUCIUS: Next, Mr. Dave Van Landingham from Gwinnett County.

MR. VAN LANDINGHAM: David Van Landingham, Director of the Gwinnett County Water Pollution Control Department.

The policy position in Gwinnett County on industrial cost recovery: Gwinnett County, Georgia, supports the abolishment of the Federal Industrial Cost Recovery System since we feel in our situation it is practically impossible to equitably charge each industrial user as defined in the Clean Water Act of 1977. At the present time there is only one facility funded federally under P.L. 92-500 (Beaver Ruin AWTF and its associated interceptors) in Gwinnett County.

Within the Beaver Ruin Basin there are now only two users that qualify for industrial cost recovery. The total ICR obligation from these two users amounts to approximately $3,000 a year. Under P.L. 92-500 Gwinnett County's only legal obligation is to charge these two users which happen to be located in the Beaver Ruin Basin, and forget about the other industrial users that discharge into other county facilities.

This would be very simple for us to administer, but would it be equitable? We feel that it is inequitable to penalize the two affected users simply because they are located in a certain area of the county. Also by charging just the industries located in the Beaver Ruin Basin, we give industries an incentive to congregate in an area that is not affected by ICR. We feel that this is a potentially serious problem.

Federal regulations governing ICR systems permit a grantee to calculate unit ICR costs on a countywide basis in lieu of unit ICR costs for each basin within the grantee's service area. Thus, the law permits the grantee to charge all industrial users in the county the same ICR rate regardless, whether the industry discharges waste into a federa-ly financed facility or not. This eliminates the problem of industries congregating in certain areas of the county, but is it equitable?

Since the Beaver Ruin project is at present time the only P.L. 92-500 federally financed project in the county, the unit ICR costs calculated for that basin will be used if a countywide ICR system is implemented. Gwinnett County is only required by law to return 50 per cent of the ICR payment from industries located in federally funded basins. No percentage of the revenue collected from industries outside the Beaver Ruin Basin is required to be returned to the U.S. Treasury.

Therefore, Gwinnett County could receive large revenues from the countywide ICR system from industrial users which in most instances do not benefit from federal monies.

We feel that this is likely to cause serious legal problems, preventing the implementation of a countywide ICR system in this context.

The situation in Gwinnett County is complicated further by the fact that the wastewater generated in North Fork-Peachtree Creek Basin is transported through DeKalb County in a federally funded interceptor, but is eventually treated at the R.M. Clayton facility in the City of Atlanta. DeKalb County plans to implement a countywide ICR system in which the Unit ICR costs for each basin of the county will be the same. For this reason, even though the wastewater is treated in the City of Atlanta, which at the present time does not have any P.L. 92-500 funded facilities, DeKalb intends to bill Gwinnett County for transport as well as treatment of this wastewater.

This, in our opinion,is not equitable. Since DeKalb only transports the flow from Gwinnett, we feel we should only be accessed an ICR bill based on flow alone. However, this would cause problems in the implementation of the countywide ICR system, each industrial user is charged based upon the strength and quantity of their waste discharged without regard to their location within the county. Therefore, those industrial users in DeKalb that discharge into the R.M. Clayton Interceptor will pay an ICR payment based on the capital cost of both the treatment and transport of wastewater. To those industries, it is evident that charging Gwinnett County only for flow is inequitable.

It appears that an ICR system free of inequities is virtually impossible. For this reason, we reiterate our plea for the abolishment of the Industrial Cost Recovery System.

One note I would like to add, certainly I don't want to give the idea Gwinnett is for anything but the abolishment of ICR, but under the alternatives presented, certainly if Alternative 14, the extension of the ICR moratorium,is not upheld, Alternative 7, to establish a uniform ICR rate on, and we recommend a SMSA basis which would give a uniformity of the rate through all counties and states.

MR. LUCIUS: Thank you, Dave. Are there any others in the audience who would like to make a statement at this time?

MR. TARPY: James Tarpy, from the Metropolitan Government of Nashville and Davidson County, Tennessee.

I have with me today two prepared statements both of which support the abolishment of the industrial cost recovery provisions of the law. I would like to submit them into the record and not go through reading them.

At the same time I would like to ask a question.

In considering the recommendations to Congress if Alternative No. 14 is considered to extend the ICR moratorium, will some recommendation be made to the Congress as to how themoney will be collected during this moratorium period? If it is extended, will they be suspended ? Will the recommendation be a suspension of this collection of these monies, or at the same time if the proposal does go to Congress there will be some modification of the industrial cost recovery provision of the law, will this also be retroactive on the money obligated to be collected under this proposal?

MR. OLSTEIN: I think all of the details under Alternative 14, if that is the one that gets recommended, depend a lot on the reasoning behind it. That would be what I would expect to be the case. If you feel that the application of pretreatment standards, for example, is one of the reasons why they would like to wait to get a better picture, you are talking about a pretty long period of time, an it would seem to make sense to me that the longer the moratorium, you would also have just a total suspension of any money associated with it. Thatis what my feeling would be.

If you are talking about a very short time, we might do something a little bit different, but I wouldn't wany to see any retroactivity just starting all over again, if that is the reason.

John, do you want to comment?

MR. GALL: I think if you look at the alternatives -- I don't know whether it is 15 that is to leave ICR in its present form -- in fact if the moratorium is extended the way I see it, it almost has to come with a suspension of payments, because the alternative would be to restart payments June 30 of next year which is in fact what the current form of ICR is. We are playing a little bit of semantics there. You would have to say that you would have to suspend payments in some form.

MR. TARPY: Will there be a formal recommendation by this committee to the Congress?

MR. GALL: Oh, certainly, there has to be. As I said, Coopers & Lybrand will make recommendations to EPA, EPA will then attempt to review and resolve any difficulties they may have with those recommendations. Then we will make the recommendations to the appropriate parties on the Hill.

MR. GARRETT: I am Jim Garrett, City Engineer and Director of Public Works, Meridian Mississippi.

With Mr. Cook, I would just like to reiterate what he said. The City of Meridian's position is that we are completely opposed to ICR in any form, and we concur with all the other statements that have been made here today in this respect.

I think it would be a detriment to us keeping the industry we have and to attracting new industry. We are just now at a point where we are beginning to attract industry, some fairly large industrial plants, and we don't want this stumbling block to be in our way of further industrial growth.

MR. LUCIUS: Are there any other statements to be made at this time? Mr. Cook.

MR. COOK: Think what is going to happen after the first of the year. Doesn't the moratorium end as of the first of the year?

MR. LUCIUS: June 30.

MR. COOK: Presumably Congress will act on this thing before then.

MR. LUCIUS: We certainly hope so.

MR. COOK: What if it doesn't? What is going to happen?

MR. OLSTEIN: When EPA submits the report, which is due the last day of December, what you have is two committees that have jurisdiction. You have one on the House side and one on the Senate side, and they really are not in a position where they are forced to take action.

This is one of the things that both the House and the Senate want to take a look at with respect to any additional Clean Water Act amendments, but while some members want to get out a new set of amendments next year, there are others that would rather not, so you have the tug and pull of those things.

I wouldn't be surprised if nothing happens, if no legislative action is taken by the 30th of June. I guess you would just revert back to where you were before the moratorium was put in place.

John.

MR. GALL: On Tuesday in Boston we had a representative from the Senate of Rhode Island who happens to be on the Senate Committee on the Environment. There are two things that she said that I would like to transmit to you today that I think are particulary important.

One has to do with what Myron said, that both on the Senate and House side there are varying factions that have fairly large committees, they have different concepts of what the Clean Water Act is all about, where it should go, where it shouldn't go, and some people would be only too happy to have reason to open it up for further amendments next year, not only on section 204 (b) but also on 404 or the whole range of issues relating to the Clean Water program.

There are, as she indicated, also people who don't want to touch it. So it is a give and take at the very highest levels of our government.

One of the points she made that I would like to make today, and I think this is particularly important, she indicated that she thought if people talk to their congressmen and Senators it is very important, but it is equally as important to insure that our representatives in Congress talk to the other representatives from other areas and regions to insure there is a knowledge of the grass roots concern of the issue.

The reason she says this is because if it becomes a regional issue, where, for example, a certain area of southeastern Massachusetts becomes the main opponent of ICR, then that doesn't carry as much weight as if it is a kind of issue that pervades the entire country.

So if you do have the opportunity to talk to any delegations, certainly keep that in mind.

MR. GADDIS: We have had a year and a half moratorium. Shall I assume then from the administrative standpoint that the industry would use this for 30 years only owes 28 and a half years? Is that a forgiven part of our 30 year period?

MR. GALL: No. The way the legislation was set up it is not a forgiven, unfortunately. Debts acrrue during the moratorium period. They could be paid. The repayment schedule of the deferred debt could be either in a lump sum or over the remaining useful life of the treatment works, the remaining 28 and a half years at the industry's option.

Do you have any other questions?

MR. KINCAID: In considering the possibility of a moratorium and talking about the pretreatment program as a possible time frame with which that moratorium would continue, are you looking for something in the pretreatment progrm that would support continuance of ICR, or are you looking for that missing nail to put in the lid of the coffin on ICR?

MR. GALL: I think clearly it is the latter and not the former. There are strong indications Mr. Landsman voiced earlier that pretreatment is going to be an expensive operation, and at this point in time the relative impact of pretreatment is unkown or is certainly a quantifiable, and I think that our reason for standing back would be pretreatment would be an additional and very much larger burden. That could certainly color any decision made relative to ICR.

MR. KINCAID: I would agree totally and would hope that that could be anticipated on the front end, and I would urge that we press for a decision if at all possible. The municipalities are continuing to have to develop these industrial cost recovery schemes even during the moratorium, and we would like to bring it to an end if possible.

Is there any general support for ICR?

MR. GALL: Let me relate to what we found in the meetings. This is the fifth eastern city. I would say the sentiment here today typifies the sentiment we found in all of the other cities. If I remember correctly there was only one community that spoke out directly in favor of industrial cost recovery. That particular community stands to gain a lot of money through the program, and they have a great need for it.

At the other levels of involvement in the study which include the National Association of Manufacturers and several kinds of governmental and environmental groups, I think clearly you can understand that the trade associations are not particularly enamored of the program.

I think the other organizations kind of have a hands off attitude, waiting to see what the results of the study are, what are the relative impacts. So I think they are fencesitters at this point in time. They do see some potential philosophical advantages, but my personal reading from what I have seen, reacting to it, is that they still have not committed themselves.

Does that answer your question?

MR. KINCAID: Yes. One final one, is there any beginning indication of what EPA's position will be ?

MR. GALL: No, I really think it is premature to try to say that particularly because the people that have been involved at EPA -- certainly I hope to continue as part of the decision making process, but I don't work in Washington, nor does the other fellow who works in Region 5, but it will be a Washington level decision. There are other programs to look at, to see the relative merits and disadvantages, so it will certainly be a little early to try to go on record as to the inclination on the part of the agency.

MR. KINCAID: Thank you.

MR. LUCIUS: Are there any other questions or statements to be made at this time? Do the members of the panel have any other comments?

MR. OLSTEIN: John looked at me at the end of his comments. The thing I would like to just point out, because at a meeting thatgoes the way this one has gone, you tend to get an almost one-sided view of sentiment, I would like to point out that there are a not insubstantial number of people who feel very strong about the use of federal funds in a way they might be construed to be a subsidy toward industry, and my feeling throughout the program is that we have to develop very strong data and evidence to deal with that

It is a philosophical thing, so you have really got to pile the numbers up to be able to counter it. I think that is one of the things that is going to be looming there after EPA's review. There are a lot of groups that feel this way, and want to have something. I have to admit that EPA has been very good about not pressing us or directing us in one way or another. I think they have done a very even-handed job.

When they go through their internal decision making process, which will be done in December, it should be a very even-handed balanced development of the position based on the data. So I don't think EPA has gone into this with any preconceptions but when you get up on the Hill you have a lot of philosophical viewpoints you have to deal with, a lot of tradition that has to be dealt with, and that is why there has been usch an emphasis on public hearings, on the data. The stack of data we are going to be delivering is going to be about that high (indicating). That is the way it is going to have to go to get any kind of change.

MR. DUKE: I am H. C. Duke from Fulton County.

We are building a new $10 million sewer system without any federal help. Don't you think that is going to dry up some of our existing industrial areas?

MR. HURLEBAUS: As I understand it you are building this entirely without federal assistance. In that case there would be no industrial cost recovery because industrial cost recovery is only on the federal share, and if there is zero federal participation . . . .

MR. DUKE: Don't you think that an industry having to pay this ICR is going to move to a place (inaudible) and abandon some industrial area?

MR. HURLEBAUS: It possibly could. It would depend upon the importance of wastewater treatment to that industry's operation. I don't think you could make a blanket statement in that case.

MR. LUCIUS: Last call. Are there any other questions from the audience?

Let me remind you one more time that if you do have any thoughts after the meeting you still have time to send those in. If you would send them in writing to us here in the region by November 6, we will see those do get included in the report.

Also, for those of you who made a statement today, if you have a copy of yourstatement, and you haven't done so already, please give a copy of that to the reporter before you leave.

On behalf of EPA, I would like to thank all of you for coming today. Let me assure you we will include your comments in the final report.

The meeting is adjourned.

(At 12:35 p.m., the meeting was adjourned.)

ICHARD FULTON, MAYOR

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

MEMBER OF COUNCIL
205 COURTHOUSE
NASHVILLE, TENNESSEE 37201

October 25, 1978

Mr. John C. White,
Regional Administrator
U. S. Environmental Protection Agency
345 Courtland Street, N. E.
Atlanta, Georgia, 30308

Re: EPA Preliminary Industrial Cost Recovery
Study Regional Meeting

Dear Mr. White,

As a Municipal Official, past Chairman and present member of the Budget and Finance Committee of the Metropolitan Council, and Chairman of The National Association of Counties, National League of Cities, and International City Management Association Advisory Task Force for the wastewater treatment project funded by the Federal U. S. Environmental Protection Agency, I submit the following statement for the record.

1. The Industrial Cost Recovery provision of The Clean Water Act of 1977 should be abolished. This requirement is inflationary by placing on the consumer the increased costs associated with industry paying this additional charge. Metro's existing industries have previously paid for their share of the cost of the treatment facilities during their years of continued uses.

2. The I.C.R. Program places a continuing implementation cost on Local Governments. The user charge system does recover this cost for administrating, operating, and accounting for the Industrial Cost Recovery Program, but this charge is being placed on all customers under our existing rate structure.

-2-

It is immaterial where the monies come from to fund the construction grant program. What does make sense is to give a larger portion of the Federal tax dollars back as benefit to the citizens of this country. The Industries of America are tax payers and should not be penalized nor should the citizen be penalized by higher consumer prices resulting from Section 204 of the Clean Water Act. This I.C.R. Program is perpetuating a continuous cycle from which the only benefit to be derived is a sharper reduction in the power of the American people.

Very truly yours,

Richard G. Adams

Richard G. Adams, D.D.S.
Member of Metropolitan Council

RGA/bsc

cc: Honorable Richard H. Fulton, Metropolitan Mayor
Vice Mayor David Scobey
K. R. Harrington, Director, Dept. of Water & Sewerage Services
Robert Horton, Administrative Asst. to Mayor
Mr. Ken Schoen, Director of Finance

RICHARD FULTON, MAYOR

OFFICE OF THE MAYOR
METROPOLITAN COURTHOUSE
NASHVILLE, TENNESSEE 37201

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

October 25, 1978

Mr. John C. White,
Regional Administrator
U. S. Environmental Protection Agency
345 Courtland Street, N. E.
Atlanta, Georgia, 30308

Re: EPA Preliminary Industrial Cost Recovery
Study Regional Meeting

Dear Mr. White,

The Metropolitan Government of Nashville and Davidson County, Tennessee supports the elimination of ICR provisions from the Federal Water Pollution Control Act (PL 92-500) and the Clean Water Act of 1977 (PL 95-217). Until such time as the ICR requirements of the law are eliminated, we urge EPA to develop regulations for implementing the program that are consistent with the spirit and intent of Congress' recent amendments to PL 92-500.

The Clean Water Act of 1977 revised ICR provisions in PL 92-500 to exempt small dischargers from ICR payment and to allow calculation of ICR charges on a system-wide, rather than a project-by-project basis. In the law, Congress also ordered the Agency to undertake a study of the feasibility of ICR systems and the economic impact of ICR charges. We urge EPA to use these opportunities to revise existing ICR regulations so the program requirements that treatment agencies must comply with are simpler, clearer, and more likely to foster the smooth administration of the programs developed.

No practical benefits will be gained from making the program more complex, or from expanding the definition of ICR-eligible dischargers to include sewerage customers that are not normally considered "industrial." Major changes in the present regulations, outside of those mandated by Congress, could be invalidated by the findings of the ICR study and subsequent actions of Congress and would, in the meantime, only delay fulfillment of final requirements as treatment agencies struggle with yet another series of regulatory revisions. Moreover, ICR requirements will work against the general objective of revitalizing America's center cities, since the ICR program makes joining or staying in municipal systems more expensive than would otherwise be true. As all industries are federal taxpayers, it is unfair to require them - and only them - to reimburse the federal government for construction grant money spent on their behalf if other users are not asked to do the same.

The Metropolitan Government asks the E.P.A. and its consultants, Cooper and Lybrand to consider these comments in making the final recommendation to Congress.

Very truly yours,

Richard H. Fulton,
Metropolitan Mayor

RHF/bsc
Encl.
cc: Mr. K. R. Harrington, Director-Dept. of Water & Sewerage Services
Mr. D. Elmo Lunn, Director-Tenn. Division of Water Quality Control
Mr. John Kane, Chester Engineers, Coraopolis, Pa.
Mr. Sam Waddell, Project Manager, U. S. Environmental Protection Ag.

STATEMENT OF METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

(see page 66)